



FEDERAL FUNDS WATCH

Volume VIII, Issue 4

May 24, 2002

SPOTLIGHT: NUTRITION PROGRAMS REAUTHORIZATION

On May 13th, the President signed the six-year *Farm Security and Rural Investment Act of 2002*. While the bill covers broader agricultural programs, such as commodities and conservation, this summary highlights certain nutrition provisions and significant Food Stamp Program administrative changes that impact the state budget. The following changes, except where noted, are effective October 1, 2002.

Food Stamp Program

Quality Control System. New quality control reforms that measure states' payment accuracy in issuing food stamps are effective for error rates measured in FY 2003. Current sanction and enhanced funding requirements remain in place for FY 2002 and prior years. The bill includes the following reforms.

Bonuses and Enhanced funding. Effective FY 2003, a new performance bonus system (\$48 million a year nationally) will replace the current enhanced funding received by states. Cumulatively, Texas alone has received \$76.2 million over a three-year period since FY 1999. The follow chart illustrates actual and projected enhanced funding award amounts by fiscal year through FY 2003.

Texas Enhanced Funding Awards (in millions)				
FY 1999	FY 2000	FY 2001	FY 2002 est.	FY 2003 est.
\$19.7	\$27.9	\$28.6	\$29.8	\$30.0

The FY 2002-03 *General Appropriations Act* earmarks up to \$2 million of the funds for operation of nutrition education and outreach programs, \$5 million for bonuses to employees responsible for attaining enhanced funding or improving client access to food stamps, and the balance of funds for the Texas Integrated Eligibility Redesign System (TIERS).

For FY 2004 (based upon 2003 performance), states will be awarded new bonuses for high or most improved performance in correcting errors, reducing errors, and improving eligibility determinations. Other

indicators will be determined by the U.S. Department of Agriculture (USDA) in consultation with state organizations.

Fiscal Sanctions. Sanctions are imposed when a state's error rate is above 105 percent of the national average for two consecutive years. States with combined error rates of 6 percent or more must submit corrective action plans. Sanctions may be equal to 10 percent of the cost of errors above 6 percent. USDA may waive all or part of the liability, require up to 50 percent of the liability to be reinvested into corrective actions, and/or require payment of up to 50 percent of the liability in the following year if the state continues to exceed the threshold. A state's letter of credit may be reduced for failing to pay a sanction.

Benefits for Legal Immigrants. The following table illustrates the phases in which food stamp benefits will be restored to legal immigrants. As a result of these provisions, the Congressional Budget Office estimates that Texas legal immigrants may receive over \$300 million in benefits over a 10-year period (FY 2002-11).

Restoration of Benefits for Legal Immigrants	
Farm Bill Provision	Effective Date
Restores eligibility to disabled legal immigrants who entered the U.S. after August 22, 1996 and receive disability benefits.	10/1/2002
Restores benefits for legal immigrants, refugees, or asylees who have been in the U.S. for five years.	4/1/2003
Restores eligibility for legal immigrant children under age 18, regardless of the date of entry into the U.S.	10/1/2003

Responding to provisions enacted in the 1996 federal welfare reform law that restricted legal immigrants eligibility for food stamps, Texas began providing state-funded benefits to elderly and disabled legal

immigrant clients who had been receiving federal food stamp benefits. Today, only 252 clients remain in the State Immigrant Food Assistance Program receiving about \$272,000 in annual benefits.

Employment and Training. Prior to passage of this bill, states were required to spend 80 percent of food stamp employment and training funds on able-bodied adults without dependents (ABAWDs). Upon enactment, the bill eliminates this set-aside requirement and the \$75 million authorized for FY 2002 intended to support such efforts. Instead, the bill authorizes \$90 million a year through 2007 for employment and training activities and provides an additional \$20 million a year for states that offer work slots to all ABAWDs subject to the 3-month time limit for food stamps. Due to the 80 percent ABAWD limitation, Texas has spent roughly \$6 million per year since FY 1999. Beginning FY 2002, the new bill provides an estimated \$7.5 million each year for Texas through 2007.

The bill also rescinds unobligated balances from prior years, the maintenance of effort requirement, the limits on amounts states can be reimbursed for each work slot offered, and the \$25 per month federal cap on the amount states may reimburse participants for work expenses other than dependent care.

Transitional Food Stamps. States may extend up to 5 months transitional food stamp benefits to families who have left Temporary Assistance for Needy Families (TANF) cash assistance.

Food Stamp Income and Deduction Simplifications. The bill raises benefits to larger households by increasing the amount of income that is disregarded when setting their benefits. States are provided options to simplify benefit calculations related to child support, shelter and utility costs, and conform income and asset eligibility rules with those of other public assistance programs (i.e., TANF and Medicaid).

Applications on the Internet. Within 18 months of enactment, states must make applications on the Internet in each language that a printed application is made available.

Semi-annual reporting. States may extend a semi-annual reporting option to all households, rather than just those households with earnings as required under current law. Households would report only if their income exceeds the program's gross income limit (130 percent of the poverty line).

Pilot program for certain group facilities. The bill authorizes a pilot program for determining the feasibility of alternative procedures for establishing benefits for residents of group homes. Under the pilot, a state could issue benefits to a facility based upon an inflation-adjusted standardized monthly benefit to group home residents, rather than going through the individualized benefit calculation for each resident. Eligible group homes include those for the disabled, shelters for battered women/children or the homeless, and substance abuse centers.

Emergency Food Assistance Program (TEFAP)

Beginning in 2002, funding for TEFAP food purchases increases nationally from \$100 million to \$140 million each year through FY 2007. Funds authorized for administrative costs increase from \$50 million to \$60 million and now will also cover costs for processing, storing, transporting, and distributing commodities. The Texas Department of Human Services administers the TEFAP program which distributes food to local emergency feeding organizations, such as food banks, soup kitchens and shelters, churches and food pantries. Texas is estimated to receive \$5.4 million in FY 2003 to cover administration costs (compared to \$3.8 million in FY 2002).

WIC Farmer's Market Nutrition Program

Due to unanticipated increased costs associated with the Women, Infant, and Children Supplemental Feeding Program (WIC), USDA had announced state allocation reductions for FY 2002 Farmer's Market programs, a \$0.8 million potential loss for Texas. However, beginning with FY 2002, the new bill authorizes \$15 million each year through FY 2007 for the WIC Farmer's Market Nutrition Program. As a result, Texas expects to receive the \$1.6 million in federal funds currently budgeted in the FY 2002-03 *General Appropriations Act*. In Texas, the Farmer's Market Program is administered by the Department of Health, and provided coupons for fresh fruits and vegetables to about 228,000 WIC participants over the summer of 2001.

Nutrition Information Awareness Pilot Program

The bill authorizes \$10 million a year through FY 2007 for a pilot program, involving five states over a four year period, that would increase fruit and vegetable consumption and convey related health promotion messages.