NUTRITION

NUTRITION

Melanne:

Thank you for bringing to my attention the NPR report on Senator Leahy's Better Nutrition for Children bill that was announced yesterday. The core of the bill is the reform of the school lunch program to meet government dietary guidelines and an expansion of the WIC program. The message of the bill is that good nutrition in early years is a key to preventative health care. Senator Leahy was extremely grateful for Mrs. Clinton's letter, and understands this does not mean an endorsement for every provision.

One small section of the bill requires USDA to create a national information clearinghouse on sources of organically-grown foods so schools can find these sources. The bill includes a $2 million pilot to assist schools in purchasing organic products.

Our Agriculture Committee press secretary said that last night NPR described it as the first step towards saving health care cost through preventative health and talked about reforming the school lunch program - nothing about it being an "organic" bill. They also reported that Mrs. Clinton praised the bill. The CNN reports did not refer to the organic section.

I am sending you the entire package that was sent to the press; a somewhat different version went to Vermont, (the release that mentions the organic or low-pesticide initiative.) Senator Leahy did not highlight that part in his press conference.

Since the material describing the bill went to trade press, I suspect some are mischaracterizing this for their own purposes.

Please let me know if you have any other concerns.

Ellen

224-4242
-2404

U.S. SENATOR PATRICK LEAHY

VERMONT

FOR IMMEDIATE RELEASE **October 14, 1993**

LEAHY CALLS FOR OVERHAUL OF CHILD NUTRITION PROGRAMS
Will Save Health Care Costs

WASHINGTON, D.C.--Federal programs reaching 24 million children daily are missing the mark when it comes to providing nutritious and healthy meals. This is the criticism leveled by Senator Patrick Leahy in legislation unveiled at a press conference today in Washington.

By reforming the nation's child nutrition programs, the largest and oldest being the school lunch program, the Senator's aim is to improve health and cut costs associated with America's three biggest killers--heart disease, cancer and strokes.

This legislation could potentially affect the lives of over half the school-aged children in the country.

Senator Leahy's bill won the praise of Hillary Rodham Clinton. "The Better Nutrition and Health for Children Act is an example of the kind of leadership and cooperation it will take to be successful in reforming our health care system," the First Lady wrote in a letter to Senator Leahy.

Highlighting the link between improved federal nutrition programs and health care reform, Mrs. Clinton noted that "By giving children healthier school meals...this legislation addresses three of the six guiding principles of health care reform the President has outlined: security, savings and responsibility."

Joining Leahy at today's announcement were the American Academy of Pediatrics, the American Heart Association, the American Cancer Society and consumer advocates Public Voice for Food and Health Policy.

"At a time when adults are paying closer attention to what they eat, federal standards encourage schools to feed our children lunches high in fat, high in salt, and low in nutritional value," said Leahy, Chairman of the Senate Agriculture, Nutrition, and Forestry Committee.

"Eating right starts at a young age," said Leahy. "And eating poorly at a young age heightens risk in later life for heart disease, strokes, and other ailments. Feeding our children right is the best -- and most cost-effective -- health care prevention we know."

Leahy's legislation proposes to:

- o Mandate that meals served by the school lunch and other nutrition programs meet basic federal dietary guidelines for healthy meals. Right now, many meals served fail to meet these standards. Some school lunches contain 20 percent more fat than recommended by federal guidelines.
- o Make the federal Women, Infants, and Children (WIC) program mandatory. Because of limited funds, WIC now only serves 60 percent of eligible infants, children, and pregnant women. A mandatory program means that 100 percent of those eligible would be guaranteed benefits. A USDA report shows that for every dollar spent on prenatal costs through WIC, up to $4.00 in Medicaid costs can be saved in the first 60 days after birth.
- o Save the Homeless Preschool Children's Program, now set to end next year. This feeds young children in homeless shelters the same meals their older brothers and sisters get while in school.
- o Create an incentive program to help schools buy organic fruits and vegetables, which are lower in pesticides.
- o Allow schools to ban sale of junk foods before the end of the last lunch period;

Attached is Leahy's statement and details of the legislation.

-30-

Contacts: ***Doug Bishop at (202) 224-4242***
Alicia Rambara at (202) 224-2035

U.S. SENATOR PATRICK LEAHY

VERMONT

STATEMENT OF SENATOR PATRICK LEAHY
SENATE AGRICULTURE, NUTRITION, AND FORESTRY COMMITTEE
OVERHAULING CHILD NUTRITION PROGRAMS
AND SAVING HEALTH CARE COSTS

October 14, 1993

Today, our nation is focused on one of the most important debates of our lifetime -- health care.

Next year, after extensive debate and study, Congress will have the opportunity to vote on the comprehensive plan put forward by President Clinton -- a plan that guarantees health security for all Americans.

President Clinton and Hillary Rodham Clinton are showing tremendous leadership in tackling this issue. When the President spoke to the American people earlier this year, he challenged Congress to work with him to get the job done.

The President has my support in the upcoming fight.

When I go home to talk about the President's health care plan, Vermonters want to know what it will cost. For them, controlling costs has to be a major focus of our efforts.

A key to controlling costs is prevention.

Today, I am introducing legislation to cut health care costs and overhaul federal nutrition programs that feed 24 million children daily.

School lunches are vital to the health of our children. For many children, school meals provide well over half of the nutrients they need to grow and learn.

But while the program is good, we must make it better.

Few Americans realize that school lunches do not follow basic federal nutritional guidelines. As a result, too many lunches are high in fat, high in salt, and low in nutritional value.

For example, in 1990, the National Academy of Sciences reported that school children consumed 38 to 39 percent of their calories from fat -- well above the recommended amount. School lunches provide 60 percent too much saturated fat. School children eat too few fruits and vegetables, and the sodium content is as much as 30 percent higher than the recommend daily amount. Over 70 percent of boys and girls eat less than one serving of fruit daily.

At a time when adults are paying closer attention to what they eat, schools should not feed our children lunches high in fat, high in salt, and low in nutritional value. That has to change.

My wife, Marcelle, and I have eaten quite a few school lunches over the years. Some have been very good -- nutritious and appealing. Others would have been better left on the plate.

The legislation I am introducing will make the most significant reforms of the federal school lunch program since it began 45 years ago. It requires -- for the first time -- that school meals meet basic federal dietary guidelines.

And we are going to help schools meet those guidelines by giving them the resources to buy more fruits and vegetables and more organic foods. USDA will provide them with more lower-fat foods -- low-fat yogurt and leaner meats.

The bill also expands two very successful programs -- WIC farmers' market and a program that feeds homeless children. WIC farmers' market helps farmers sell more of their produce and lets WIC families enjoy fresh farm products. The homeless preschoolers program feeds young children in homeless shelters the same meals their older brothers and sisters get while in school. In three years, we have gone from serving 6 homeless shelters in Philadelphia to serving 90 shelters around the nation.

This legislation could potentially affect the lives of most of the school-aged children in the country.

Eating right starts at a young age. And eating poorly at a young age heightens risk in later life for heart disease, strokes, and other ailments. Feeding our children right is the best -- and most cost-effective -- health care prevention we know.

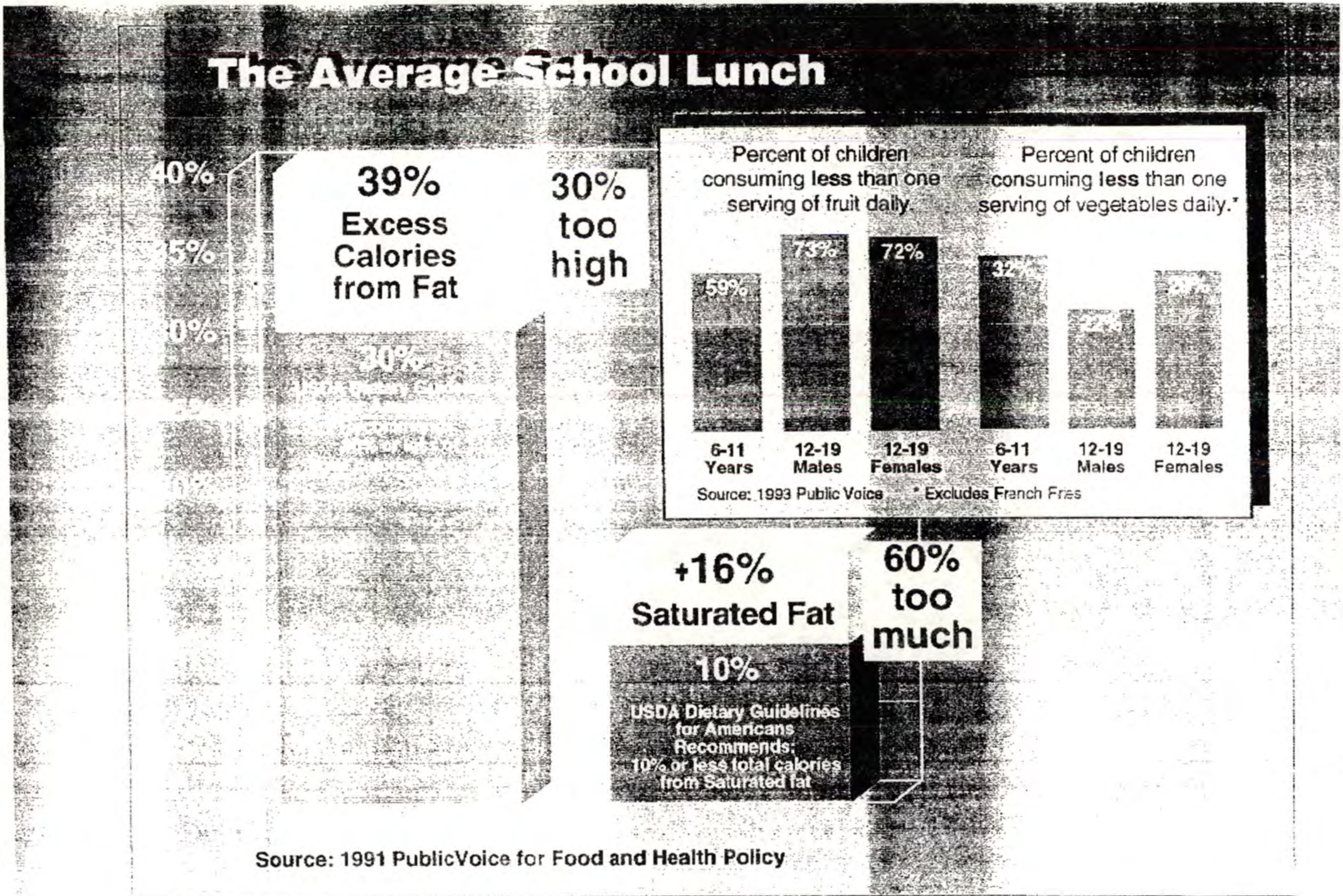
I am pleased to have the support of many of the nutrition groups I have worked with over the years -- Public Voice for Food and Health Policy, Bread for the World, the Center for Science in the Public Interest. And I am glad to be joined by some new partners in the effort to improve our feeding programs -- the American Heart Association, the American Cancer Society, and the American Academy of Pediatrics.

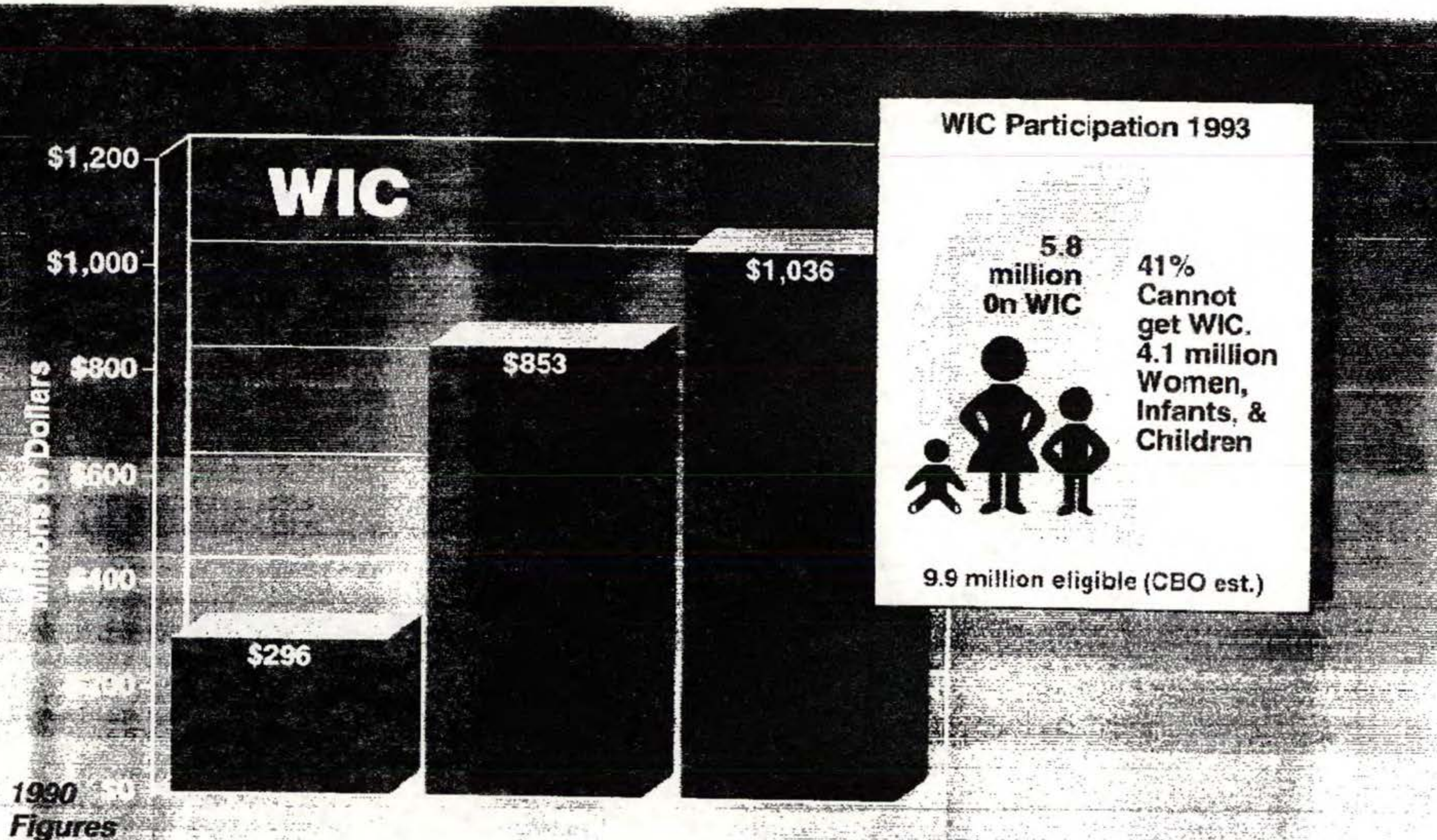
This legislation makes the link between good nutrition and good health, and because of that, Hillary Rodham Clinton has said it addresses three of the six guiding principles of health care reform outlined by the President: security, savings and responsibility.

In a minute, you will hear from a good friend of mine, a pediatrician from Vermont who is a past president of the American Academy of Pediatrics and currently is serving on the National Advisory Council on Maternal, Infant and Fetal Nutrition -- Dr. Richard Narkewicz.

Dr. Narkewicz has advised me on nutrition and health matters for many years, and has been an invaluable ally in the fight to make WIC available to every eligible woman and child in America. This package includes legislation I introduced earlier this year to make WIC a mandatory program, extending the health and cost-saving benefits of this vital program to the millions of women, infants and children who today must go without.

The debate over health care will be complex, acrimonious, and occasionally even a little partisan -- despite our best efforts. But one thing we must never forget: real reform of our health care system must begin with our children. Teaching them to eat right -- teaching them about the link between good nutrition and good health is a lesson they will carry with them for the rest of their lives.


The Average School Lunch
40%
39%
Excess Calories from Fat
30% too high
Percent of children consuming less than one serving of fruit daily.
Percent of children consuming less than one serving of vegetables daily.*
59%
73%
72%
32%
6-11 Years
12-19 Males
12-19 Females
6-11 Years
12-19 Males
12-19 Females
Source: 1993 Public Voice
* Excludes French Fries
+16%
Saturated Fat
60% too much
10%
USDA Dietary Guidelines for Americans Recommends: 10% or less total calories from Saturated fat
Source: 1991 PublicVoice for Food and Health Policy



In the aggregate, the GAO estimated that WIC services to pregnant women more than pay for themselves in one year. The GAO estimated that in 1990, the federal government spent $296 million for WIC prenatal benefits and averted $853 million in health-related expeditures during the first year of life for infants born to WIC mothers. Over an 18 year period, the GAO estimated, more than $1.036 billion in health-related costs will be averted, for a net savings of $740 million.

Source: GAO Study, 1992 & Center on Budget and Policy Priorities, 1993

THE WHITE HOUSE

WASHINGTON

October 14, 1993

The Honorable Patrick Leahy
United States Senate
Washington, D.C. 20510

Dear Senator Leahy:

I appreciate the time and effort you and others have spent in developing the legislation to overhaul our federal nutrition programs for children. By giving children healthier school meals that meet federal dietary guidelines and by teaching them the importance of eating right, this legislation addresses three of the six guiding principles of health care reform the President has outlined: security, savings and responsibility.

An emphasis on prevention is critical to cutting health care costs, and proper nutrition -- starting at the earliest ages -- is essential to the prevention of at least three costly diseases: heart disease, cancer and stroke. Your legislation encourages life-long good eating habits, and in doing so, asks families to take responsibilty for their health.

I also want to commend you for your efforts to fully fund the Women, Infants and Children (WIC) program which has been so successful in improving the health of pregnant women and children and producing significant health care savings to the federal government. I know that WIC has been particularly successful in your home state of Vermont, and enjoys the strong backing of your colleague, Senator Jeffords. The President and I want to continue to work with both of you to ensure that WIC is available to every eligible woman and child.

The Better Nutrition and Health for Children Act is an example of the kind of leadership and cooperation it will take to be successful in reforming our health care system. You have made an important link between improved federal nutrition programs and the reform effort and have brought together a wide array of nutrition and health organizations to support this strong prevention bill.

I support your efforts to improve nutrition for children and look forward to working with you on this and other critical areas of health care reform.

Sincerely yours,

Hillary Rodham Clinton

Hillary Rodham Clinton

U.S. SENATOR PATRICK LEAHY

VERMONT

"Better Nutrition and Health for Children Act"
Senator Patrick Leahy

Health Statistics

- In 1990, the National Academy of Sciences reported that school children consumed **38 to 39 percent of their calories from fat.** Senator Leahy's bill will help reduce that number to the recommended 30 percent.

- A key provision of the Leahy bill is helping to prevent the leading causes of death in the U.S. -- heart disease, cancer and stroke. The following statistics show the human and financial toll of these diseases:

  - There are **1.5 million heart attacks a year** and coronary heart disease **costs Americans an estimated $52 billion** in direct health care expenditures and lost productivity. *(Source: American Heart Association)*

  - **Cancers kill 526,000 Americans a year**, and the annual costs of cancer in terms of direct health costs and lost productivity is **$104 billion** per year. Cancers are responsible for 20 percent of deaths in the U.S. *(Source: American Cancer Society)*

  - **Strokes affect 500,000 persons** per year and 3 million Americans suffer from stroke related disabilities costing annually more than **$18 billion**. *(Source: American Heart Association)*

Supporting Studies

Senator Leahy's "Better Nutrition and Health for Children Act" implements many of the recommendations of:

- the "*Surgeon General's Report on Nutrition and Health*",
- the National Academy of Sciences (National Research Council) landmark report on *"Diet and Health"*,
- nutrition guidelines issued by the Secretary of Health and Human Services and the Secretary of Agriculture, and
- recommendations of the **American Academy of Pediatrics**, the **American Cancer Society**, and the **American Heart Association**, and **Public Voice for Food and Health Policy**.

MAJOR PROVISIONS
"BETTER NUTRITION AND HEALTH FOR CHILDREN ACT"
Reauthorization of Child Nutrition Programs
Introduced by Senator Patrick Leahy

PART I. HEALTHIER MEALS FOR CHILDREN.

A. Helps ensure that school meals apply federal dietary guidelines for children.

The bill requires that schools apply the government's own nutrition guidelines to school meals subsidized by USDA by (1) reducing dietary fat intake to an average of 30 percent of calories and reducing average saturated fat intake to less than 10 percent of calories; (2) increasing consumption of dietary fibers; (3) reducing the consumption of sodium and sugars; and (4) increasing consumption of fruits and vegetables.

The bill r akes USDA follow its own guidelines when buying commodities for school meal programs.

B. Helps the child nutrition programs meet federal dietary guidelines and set the right example for proper eating habits.

The bill provides additional funding to assist schools in offering a greater variety of fruits and vegetables, and more low-fat, high protein dairy products and leaner meats.

It provides USDA with an additional $40 million per year to enable schools to offer additional servings of fruits and\or vegetables.

The bill allows schools to buy lower-fat milk by eliminating the current requirement that schools must offer whole milk. (This is based on a bill introduced by Senator Lugar.)

Because dairy products are a vital source of protein and minerals for children the bill encourages schools to offer lower fat dairy products such as low-fat yogurts and cheeses by offering these products to schools. USDA will be required to buy $35 million in such low-fat dairy products and provide schools with funds for them to buy $10 million in leaner meats.

In addition, the bill permits schools to offer lower-fat (protein fortified if needed) yogurts as a lower-fat alternative for cheeses, meats, eggs, fortified macaroni and peanut butters.

C. Helps schools teach proper nutrition and personal responsibility for good health.

The bill provides USDA grants to integrate nutrition education into the health education curriculum grades Kindergarten through 12, and provides better training for school food service personnel regarding food preparation techniques and menu planning.

D. Helps schools buy organically-grown foods.

The bill requires USDA to create a national information clearinghouse on sources of organically-grown foods so that schools can more easily find sources of these products. The bill includes a $2 million pilot project to assist schools in purchasing these organic products.

E. Provides healthy meals to children when school is out for the summer.

The bill helps schools and communities offer the summer food service program by providing a higher transportation allowance for very rural areas, and by providing "start-up" grants to defray some of the initial costs of setting up a summer food service program. Without this program many children risk going without nutritious meals when school is out for the summer.

Summer Food Service participation is very low as compared to participation in the school lunch program. Only 15 percent of the target population is being reached by this program.

F. Allows schools to prevent the sale of junk foods.

Schools often allow vending machine sales of soft drinks and candies before lunch. The bill permits schools to ban such foods with low-nutritional value at school option. This change should help promote the sale of fruits, fruit juices, milk, and other foods of nutritional value in vending machines.

G. Improves and promotes the school breakfast program.

The school breakfast program provides the right start for low-income children who would otherwise go hungry. The bill increases the funding authorization levels to $7 million per year, up from $5 million, and tests other ideas to improve and expand the breakfast programs. Creates a $2 million fund to assist schools already in the program to make improvements in their operations and to help them purchase additional food preparation equipment.

To: Melanne
From: Ellen
Lovell
-cont.-

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H. Helps prevent price-gouging and bid-rigging in the school lunch and breakfast programs and in WIC.

Requires USDA to assist schools in identifying and preventing price fixing regarding the purchase of milk. It establishes guidelines for USDA to debar dairies from supplying milk to the lunch programs if officers of the companies have been convicted of bid-rigging the school lunch program.

PART II. PREVENTING HEALTH PROBLEMS THROUGH WIC INVESTMENTS.

A. WIC Mandatory Funding.

Legislation introduced earlier this year by Senator Leahy bill (S. 22) calls for converting WIC to a mandatory program and provides for serving all eligible pregnant women, infants and children by 1996. S. 22 is included in this reauthorization package.

Sen. Leahy's bill, "The Maternal and Child Investments Act of 1993," was designed to avoid the "automatic" opposition to mandatory spending programs because of the fear of: 1) continuing cost escalations and; 2) continuous litigation on the part of individual recipients. S. 22 does <u>not</u> provide an entitlement to individual WIC participants but instead assures funding levels to states based on mandatory spending caps set forth in the bill. Individuals would not have the right to file actions nor could costs exceed the caps.

This approach allows states to better plan in advance since they will be better able to predict funding levels. The bill is strongly endorsed by the National Association of WIC Directors.

S. 22 will result in significant <u>savings</u> in other federal mandatory programs. A USDA report showed "for every dollar spent on the prenatal component of the WIC program, the associated savings in Medicaid costs for illnesses beginning in the first 60 days after birth ranged from \$1.92 to \$4.21 for newborns and mothers and from \$2.98 to \$4.75 for newborns only."

B. Breastfeeding Promotion.

The bill expands the breastfeeding promotion program for WIC participants. The health benefits of breastfeeding have been fully documented and include the immunological effects of breastmilk which cannot be duplicated in formula.

Also the bill allows the use of breastfeeding promotion money for the purchase of breast pumps to be lent to breastfeeding WIC participants.

C. **Expands the WIC Farmers' Market Program.**

This program gives WIC mothers an additional voucher to use at farmers markets, for the purchase of fresh fruits, vegetables and other farm products not covered by the WIC program. (The regular WIC program purchases dairy products (milk and cheeses), infant formula, juices and fortified cereals but does not purchase vegetables, fruits or related farm products.)

Currently, over 400,000 persons participate in this highly successful program in eleven states but several other states would participate if federal matching funds were available. The bill authorizes a $5 million increase in funding which could more than double the number of participating states.

The bill reduces each state's match requirement (to 25% from 30%) to encourage more states to enroll in the program and to allow states to stay on the program.

PART III. BETTER NUTRITION FOR HOMELESS AND NEEDY CHILDREN.

A. **Improves and expands the child care food programs.**

With the dramatic increase in the need for child care to allow both parents (or single parents) to work, the Child and Adult Care Food Program has grown in importance. This program helps feed needy children in day care so that their parents can find or keep a job.

The bill expands participation in the Child and Adult Care Food Program by allowing for-profit centers to be eligible if 25 percent or more of the children they serve are from low-income families (meet the guidelines for free or reduced price school meals).

B. **Feeds homeless children living in emergency shelters.**

Homeless children under age 6 living in emergency shelters can greatly benefit from expanding the Child Nutrition Homeless Program which provides a USDA reimbursement for nutritious meals served to homeless children. The bill provides a stable source of mandatory funding for this program.

Currently, funding comes from "leftover" funds not used by states in the State Administrative Expenses account. This approach does not assure stable funding for this program. GAO reports that 25,000 children under age 6, live in homeless shelters. Older brothers and sisters get fed by the school lunch and breakfast programs -- but younger children miss out. This program feeds them meals that USDA reports are "more balanced, more nutritious, and more frequently included fresh fruit, milk, vegetables and full-strength juices."

American
Academy of
Pediatrics

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October 13, 1993

The Honorable Patrick Leahy, Chairman
Committee on Agriculture, Nutrition and Forestry
U.S. Senate
Washington, D.C. 20510

Dear Chairman Leahy:

On behalf of the American Academy of Pediatrics, I am writing to endorse the "Better Nutrition and Health for Children Act of 1993." The American Academy of Pediatrics is an organization of 45,000 pediatricians dedicated to the health, safety, and well-being of infants, children, adolescents and young adults.

Proper nutrition is essential to healthy development, beginning during the prenatal period and continuing through the teen years. But diet affects health throughout life, so young people should be taught the importance of good eating habits.

Your bill addresses each of these aspects of proper nutrition -- by providing full funding for the WIC program, so that all pregnant women, infants, and young children can afford a proper diet; by promoting breast-feeding among WIC participants; by expanding the school-breakfast program; by requiring the menus for the school-lunch and school-breakfast programs to comply with recommended dietary guidelines; and by reinforcing good habits through nutrition education. Moreover, by promoting healthy diets for pregnant women and children, and individual responsibility for good health habits, this legislation should also help to contain long-term health care costs.

For the well-being of individuals, and for society as a whole, the importance of eating right, and developing good eating habits beginning in childhood, cannot be underestimated. Your bill reflects simple common sense, and the Academy looks forward to working with you to make this legislation a reality.

Sincerely,

Howard A. Pearson, M.D.

Howard A. Pearson, M.D.
President

1150 Connecticut Avenue Northwest Suite 810 Washington, D.C. 20036 202 822 9380 FAX: 202 822 9883

American Heart Association

Office of Public Affairs

Dedicated to the reduction of disability and death from cardiovascular diseases and stroke.

October 13, 1993

The Honorable Patrick Leahy
United States Senate
Washington, D.C. 20510

Dear Senator Leahy:

The American Heart Association, on behalf of its 56 Affiliates and over 3.7 million volunteers nationwide, is pleased to be able to support your legislative efforts to improve the school meals programs by requiring that such meals meet the U.S. Dietary Guidelines.

It is clear that the importance of prevention as part of a national health strategy has finally arrived. Your legislation, the "Better Nutrition and Health For Children Act," will make a vital contribution to preventive health in this country by ensuring that this nation's children are given the necessary dietary attention that they need. Overhauling America's child nutrition programs is long over due. It seems incomprehensible that the federal government can set dietary recommendations for the nation and then ignore those recommendations when it comes to operating the child nutrition programs.

We know that there will be special interest opposition to the legislation and that there will be those who will resist change. Be assured that the AHA will work with you and other members of the Senate in seeking passage of this landmark preventive health legislation.

Sincerely,

Scott D. Ballin
Vice President and Legislative Counsel

AMERICAN CANCER SOCIETY

October 13, 1993

The Honorable Patrick Leahy
Chairman
Senate Committee on Agriculture
Washington, D.C. 20510

Dear Senator Leahy:

On behalf of the over 2 million volunteers of the American Cancer Society, I am happy to support the "Better Nutrition and Health for Children Act." The American Cancer Society estimates that up to one-third of all cancers may be diet-related. It is especially important for children to learn about and practice good nutrition, in order to develop healthy behaviors at a young age.

The American Cancer Society is pleased to see that the Leahy child nutrition bill will require that school meals subsidized by the US Department of Agriculture be consistent with the Federal Government's nutrition guidelines. Evidence indicates that people may reduce their disease risk by observing these nutrition guidelines. The American Cancer Society's recommended guidelines for cancer risk reduction are to maintain a desirable body weight, eat a varied diet, include a variety of vegetables and fruits in the daily diet, eat more high-fiber foods, reduce total fat intake, limit consumption of salt-cured or smoked foods, and limit consumption of alcohol.

The American Cancer Society is particularly encouraged by the inclusion in the bill of USDA grants to integrate nutrition education into the health education curriculum in grades K-12 and to provide better training for school food service personnel. Education and health are interdependent systems. Children need a comprehensive health education program in school which provides instruction on how to lead healthier lives and reduce disease risk. But this instruction must also be reinforced by the example of school food service. Comprehensive school health education provides students with the knowledge, skills, and attitudes needed to maintain their own health as well as the health of others for whom they may become responsible.

The American Cancer Society commends you for your leadership in working to ensure a healthier future for America's children, and we look forward to working with you toward passage of the "Better Nutrition and Health for Children Act."

Sincerely,

Reginald C. S. Ho, MD

Reginald C.S. Ho, MD
President

AMERICAN CANCER SOCIETY, INC.
316 PENNSYLVANIA AVE., S.E., SUITE 200, WASHINGTON, D.C. 20003-1146 202-546-4011

PUBLIC VOICE FOR FOOD & HEALTH POLICY

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202 659-5930 FAX 202 659-368

October 13, 1993

Honorable Patrick Leahy
Chairman
Senate Committee on Agriculture,
Nutrition and Forestry
328-A Russell Senate Office Bldg.
Washington, D.C. 20510

Dear Senator Leahy:

I am pleased to inform you that you can count on Public Voice to support your efforts in moving the "Better Nutrition and Health for Children Act" through the 103rd Congress.

We believe the bill provides long-overdue measures for improving children's diets and preventing chronic diseases for successive generations of American adults. The nation's youth currently consume far too much fat and saturated fat and far too few fruits and vegetables. Unless we take swift action to reform federal child nutrition programs, we will continue to pave the way for needless future health problems and medical expenses.

Provisions of the bill that reform the National School Lunch Program (NSLP) are especially critical for establishing healthier dietary patterns among America's youth. If passed, the bill would help bring school meals into compliance with the U.S. Dietary Guidelines and would begin to fill disturbing gaps in kids' consumption of fruits and vegetables. The bill also responds positively to the recent National Academy of Sciences report about kids' exposure to chemical pesticides by opening school lunch rooms to organically grown foods.

In closing, I want to commend you and your staff on the swift introduction of the legislation you promised to develop as recently as Public Voice's September 8th school lunch press conference. We look forward to working with you and other members of your committee to ensure that a strong bill is enacted into law.

Sincerely,

Allen Rosenfeld

Allen Rosenfeld
Acting Co-Director

CSPI CENTER FOR SCIENCE IN THE PUBLIC INTEREST
Publisher of Nutrition Action Healthletter

October 15, 1993

Senator Patrick Leahy
U.S. Senate
Washington, DC 20510

Dear Senator Leahy:

The Center for Science in the Public Interest is a non-profit consumer-advocacy organization that is supported by more than half a million Americans. We have long been concerned about the nutritional quality of foods provided by federal programs.

We are delighted that you are sponsoring far-reaching legislation mandating long-overdue improvements in the U.S. Department of Agriculture's feeding programs.

Your bill will begin lowering the fat and saturated-fat content of school meals so as to be consistent with national nutritional recommendations; current levels of fat are much too high, according to USDA's own surveys. Providing schools with a little more money to buy additional fruits and vegetables is also a sensible investment in children. Children's health will be further improved by eliminating the requirement that schools offer whole milk, a major source of saturated fat. Your bill sends a signal to schools that the in-school sale of certain junk foods is unacceptable and undermines the National School Lunch Program.

Finally, your bill recognizes the public's concern about pesticide residues in food. Although the amount of money that the bill provides schools to purchase organic foods is modest, your bill is a step in the right direction toward implementing the USDA, EPA, and FDA's recent recommendations concerning farming with fewer pesticides. Moreover, it shows farmers and the public that there is a real market for food grown without synthetic chemicals.

We look forward to working with you and your staff as this bill wends its way through the legislative process.

Sincerely,

Michael F. Jacobson

Michael F. Jacobson, Ph.D.
Executive Director

1875 Connecticut Avenue, N.W. Suite 300 Washington, D.C. 20009-5728 • (202) 332-9110 • FAX (202) 265-4954
Executive Director: Michael Jacobson, Ph.D.

Children's Defense Fund

October 12, 1993

The Honorable Patrick Leahy
U.S. Senate
Washington, D.C. 20510

Dear Senator Leahy:

The Children's Defense Fund is pleased to endorse the Better Nutrition and Health for Children Act. It is essential for children to have a nutritious diet in order to grow and thrive. The Act would strengthen the range of nutrition programs affecting children and would ensure that children would have access to good nutrition at all stages and times during the year.

Strengthening programs such as WIC and the Child Care Food Program will help to ensure that children are healthy and well-fed -- critical factors in assuring that they are ready to learn. It is also important that they receive a positive school lunch experience and that the Summer Food Program be accessible during the considerable part of the year that they are not in school. Given the growing number of homeless children, it is important to address the unique situation of children living in emergency shelters.

This is a key bill because it recognizes the range of programs that must be strengthened in order to reach the broadest group of low-income children. When enacted, it will contribute to the healthy development of millions of our most disadvantaged children.

Sincerely,

Marian Wright Edelman

25 E Street NW
Washington, DC 20001
Telephone 202 628 8787
Fax 202 662 3510

News Release

Bread for the World
1100 Wayne Avenue, Suite 1000
Silver Spring, MD 20910
(301) 608-2400 FAX:(301) 608-2401

For more information, contact
Barbara Howell or Alma Crawford
(301) 608-2400

BREAD FOR THE WORLD MOBILIZES GRASSROOTS CHURCH SUPPORT FOR WIC

"A Child Is Waiting" Campaign Will Urge Mandated Full Funding for WIC

Bread for the World pledges active support for Senator Leahy's proposal for mandated funding for the Special Supplemental Food Program for Women, Infants and Children (WIC) through "A Child Is Waiting," its 1994 letter-writing campaign. "A Child Is Waiting" will involve 45,000 grassroots members and thousands of local churches in urging members of Congress to guarantee access to those eligible for WIC benefits. At present, WIC receives only enough federal funding to reach 60 percent of those eligible.

Over its two decades of service, WIC has proven itself effective in reducing low birthweight, the leading cause of infant mortality. The program also decreases anemia and improves mental development. By preventing health problems, WIC saves federal, state, local and private health care costs. The U.S. General Accounting Office says that the $296 million spent on prenatal WIC benefits in 1990 will save $1.04 billion in health-related expenditures in the next 18 years. Studies examining Medicaid savings alone due to the participation of pregnant women in WIC showed cost-benefit ratios of $1.92 to $4.21 for every dollar spent.

"A Child Is Waiting" represents the latest effort in Bread for the World's multi-year commitment to securing full funding for WIC. Bread for the World president David Beckmann says "Children can't wait until tomorrow for good nutrition. Their bones, muscles, and minds are forming today. By mandating full funding for WIC and improving other critical child nutrition programs, the Better Nutrition and Health for Children Act will ensure that all our children are adequately nourished. Bread for the World applauds Senator Leahy for his commitment to children and families."

Bread for the World is a Christian citizens' movement dedicated to ending hunger. Supported primarily by member contributions, most Christian denominations and more than 1,000 local churches, its 45,000 members seek justice for hungry people by lobbying our nation's decision-makers.

# # #

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

file

Ms. Melanne Verveer
Deputy Assistant to the President and
Deputy Chief of Staff to the First Lady
The White House - Room 100
Washington, D.C. 20500

JAN 17 1995

Dear Melanne:

U.S.D.A. today released the enclosed report: The Nutrition, Health and Economic Consequences of Block Grants for Federal Food Assistance Programs. The report takes a hard look at the consequences of proposed block-grants of Federal food assistance programs for states and those who rely on these programs. I think you will find that the report makes an important contribution to discussions about the future of these programs.

I hope you will find the report useful. If you have any questions, please don't hesitate to give me a call.

Sincerely,

Ellen

Ellen Haas
Under Secretary for Food, Nutrition
and Consumer Services

Enclosure

Nutrition?
Block Grants?
USDA?

NOTE: On page 36, the percent change in farm income for peanuts without loss of Section 32, under Section V, should read -0.6 (instead of 0.6).

The Nutrition, Health, and Economic Consequences of Block Grants for Federal Food Assistance Programs

Executive Summary

Food and Consumer Service
Economic Research Service

U.S. Department of Agriculture
January 17, 1995

The proposed Personal Responsibility Act, a key component of the Contract with America, would make sweeping changes that alter the very character of the existing food assistance programs. Specifically, the Personal Responsibility Act, if enacted, would:

- o Combine all USDA food and nutrition assistance programs into a single discretionary block grant to States;
- o Authorize an appropriation of $35.6 billion in fiscal year 1996 for food and nutrition assistance;
- o Eliminate all uniform national standards;
- o Give States broad discretion to design food and nutrition assistance programs, provided only that no more than 5 percent of the grant support administration, at least 12 percent support food assistance and nutrition education for women, infants, and young children, and at least 20 percent support school-based and child-care meal programs; and
- o Eliminate USDA's authority to donate commodities; USDA could only sell bonus commodities to States.

The consequences of these changes on the safety net of food assistance programs, the nutrition and health of low-income Americans, the food and agriculture economies, and the level and distribution of Federal support to States for food assistance are significant.

The Personal Responsibility Act would significantly reduce federal support for food and nutrition assistance.

- o Federal funding for food and nutrition assistance would fall by more than $5 billion in fiscal year 1996 and nearly $31 billion over 5 years (Table 1).
- o All food and nutrition assistance would be forced to compete for limited discretionary funds. States' ability to deliver nutrition benefits would be subject to changing annual appropriation priorities.
- o Programs would be unable to respond to changing economic

circumstances. During economic downturns, funding would not keep up with rising poverty and unemployment. The demand for assistance to help the poor would be greatest at precisely the time when State economies are in recession and tax bases are shrinking.

For example, if the Personal Responsibility Act had been in place over the last five years -- a period marked by both economic recession and recovery -- the block grant in 1994 would have been over $12 billion less than the food assistance actually provided, a reduction of about one-third (Table 2).

- States would be forced to reduce the number of people served, the benefits provided, or some combination of both. The bill could lead to the termination of benefits for 6 million food stamp recipients in fiscal year 1996.

The reduced investment in food and nutrition assistance programs and elimination of the authority to establish nutrition standards will adversely affect the nutrition and health of low-income families and individuals.

- The scientific link between diet and health is clear. About 300,000 deaths each year are linked to diet and activity patterns.

- Low-income households are at greater risk of nutrition-related disorders and chronic disease than the general U.S. population. Since the nationwide expansion of the Food Stamp Program and the introduction of WIC, the gap between the diets of low-income and other families has narrowed.

- The incidence of stunting among pre-school children has decreased by nearly 65 percent; the incidence of low birthweight has fallen from 8.3 percent to 7.0 percent.

- The prevalence of anemia among low-income pre-school children has dropped by 5 percent or more for most age and racial/ethnic groups.

- The Personal Responsibility Act would eliminate all federal nutrition standards, including those in place to ensure that America's children have access to healthy meals at school. Even small improvements in average dietary intakes can have great value. The modest reductions in fat, saturated fat, and cholesterol intake due to the recent food labeling changes were valued by the Food and Drug Administration at $4.4 billion to $26.5 billion over 20 years among the U.S. adult population.

- The Act would also threaten the key components of WIC -- a tightly prescribed combination of a targeted food package, nutrition counseling, and direct links to health care. Rigorous studies have shown that WIC reduces infant deaths, low birthweight, premature births, and other problems. Every dollar spent on WIC results in between $1.77 and $3.13 in Medicaid savings for newborns and their mothers.

By reducing federal support for food assistance and converting all remaining food assistance to a block grant, the Personal Responsibility Act would lower retail food sales, reduce farm income, and increase unemployment.

- o Under the proposed block grant, States could immediately cash-out any and all food assistance programs in spite of evidence that an in-kind benefit is more effective in stimulating food purchases than a similar benefit provided in cash.

- o In the short-run, the bill could reduce retail food sales by as much as $10 billion, reduce gross farm income by as much as $4 billion, increase farm program costs, and cost the economy as many as 138,000 jobs.

- o In the long run, the bill could reduce employment in farm production by more than 15,000 jobs and output by more than $1 billion. The food processing and distribution sectors could lose as many as 83,000 jobs and $9 billion in output.

- o The economic effects would be felt most heavily in rural America. In both the short- and long-run, rural areas would suffer disproportionate job losses.

- o Every $1 billion in added food assistance generates about 25,000 jobs, providing an automatic stabilizer in hard times.

The proposed basis for distributing grant funds would result in substantial losses for most States.

- o If Congress appropriates the full amount authorized, all but 8 States would lose federal funding in fiscal year 1996. California could gain about $650 million; Texas could lose more than $1 billion (Table 3).

- o Although some States initially gain funding, all States would eventually fare worse than under current law. Over time, the initial gains will erode because the block grant eliminates the automatic funding adjustments built into the existing Food Stamp and Child Nutrition programs.

Table 1 -- Effect of the Personal Responsibility Act on USDA Food Assistance Program Costs
(Dollars in millions)

	Fiscal Year					Total
	1996	1997	1998	1999	2000	
Current Law:						
Food Stamps/NAP	$27,777	$29,179	$30,463	$31,758	$33,112	$152,290
Child Nutrition	8,681	9,269	9,903	10,556	11,283	49,692
WIC	3,924	4,231	4,245	4,379	4,513	21,291
All Other	382	351	351	351	351	1,784
Total	40,764	43,029	44,962	47,042	49,260	225,057
Proposed Law:	35,600	37,138	38,756	40,457	42,214	194,166
Difference	-5,164	-5,891	-6,206	-6,585	-7,046	-30,892
Percent Difference	-12.7%	-13.8%	-13.8%	-14.0%	-14.3%	-13.7%

Notes: Based on current service program level for USDA food assistance programs in Department estimates of September 1994 (excluding projected costs of Food Program Administration but including anticipated mandatory spending for WIC, consistent with Presidential policy). This table does not include the budgetary effects of food programs operated by the Administration on Aging in the Department of Health and Human Services.

The Food Stamp total includes the cost of the Nutrition Assistance Program in Puerto Rico.

The Child Nutrition total includes all administrative and program costs for the National School Lunch, School Breakfast, Special Milk, Summer Food Service, Nutrition Education and Training, and Child and Adult Care Food Programs, the value of commodities provided to schools, and support for the Food Service Management Institute.

The All Other total includes all administrative and program costs for the Commodity Supplemental Food Program, the Emergency Food Assistance Program, the Food Distribution Program on Indian Reservations, the Nutrition Program for the Elderly, and Food Distribution to Charitable Institutions and Soup Kitchens and Food Banks.

Proposed levels for the block grant in fiscal years 1997 through 2000 are increased from the 1996 amount using the projected increase in total population and the cost of the Thrifty Food Plan for the preceding year. Totals may not equal sum of columns due to rounding.

This table assumes that Congress appropriates the full amount authorized in each year.

Table 2 -- Historical Illustration of Food Assistance Block Grant
(Dollars in millions)

Year	Actual Food Assistance	With Initial Reduction *			Without Initial Reduction		
		Adjusted Block Grant	Difference		Adjusted Block Grant	Difference	
			Total	Percent		Total	Percent
1989	$21,697	$18,941	-$2,756	-12.7	$21,697	N/A	N/A
1990	24,778	20,666	-4,112	-16.6	23,672	-$1,106	-4.5
1991	28,849	21,971	-6,878	-23.8	25,167	-3,682	-12.8
1992	33,519	23,232	-10,287	-30.7	26,612	-6,907	-20.6
1993	35,397	23,369	-12,028	-34.0	26,769	-8,628	-24.4
1994	36,928	24,374	-12,554	-34.0	27,920	-9,008	-24.4

Notes: Actual food assistance includes total federal cost of all USDA food assistance programs, excluding Food Program Administration. The cost of food programs operated by the Administration on Aging in the Department of Health and Human Services are not included.

These figures assume that Congress would have appropriated the full amount authorized in each year. The block grant authorization is adjusted by the change in total U.S. population and the Consumer Price Index for Food at Home in the preceding year (ending on July 1 for population and in May for the CPI).

* The initial 12.7 percent reduction in the first year is equivalent to the estimated percentage reduction in food assistance funding in the first year of the Personal Responsibility Act as shown in Table 1.

Table 3 -- Effect of the Personal Responsibility Act on USDA Food Assistance Programs by State in Fiscal Year 1996
(Dollars in millions)

State	Level of Food Assistance		Difference	
	Current	Proposed	Total	Percent
Alabama	$818	$713	- $105	- 13
Alaska	97	84	- 13	- 13
Arizona	663	554	- 109	- 16
Arkansas	422	403	- 19	- 4
California	4,170	4,820	650	16
Colorado	412	417	5	1
Connecticut	297	248	- 49	- 17
Delaware	92	58	- 34	- 37
District of Columbia	137	85	- 52	- 38
Florida	2,194	1,804	- 389	- 18
Georgia	1,209	934	- 275	- 23
Hawaii	215	198	- 17	- 8
Idaho	127	176	49	38
Illinois	1,741	1,483	- 258	- 15
Indiana	713	691	- 22	- 3
Iowa	297	266	- 31	- 11
Kansas	307	270	- 37	- 12
Kentucky	740	582	- 157	- 21
Louisiana	1,141	765	- 375	- 33
Maine	188	167	- 21	- 11
Maryland	576	404	- 172	- 30
Massachusetts	608	577	- 32	- 5
Michigan	1,390	1,109	- 281	- 20
Minnesota	508	490	- 18	- 4
Mississippi	730	603	- 127	- 17
Missouri	810	754	- 56	- 7
Montana	111	140	29	26
Nebraska	187	175	- 12	- 6
New Hampshire	89	94	5	5
New Jersey	836	704	- 132	- 16
New Mexico	361	321	- 40	- 11
Nevada	145	150	5	3
New York	3,101	2,661	- 440	- 14
North Carolina	930	849	- 81	- 9
North Dakota	86	76	- 9	- 11

State	Level of Food Assistance		Difference	
	Current	Proposed	Total	Percent
Ohio	1,768	1,287	- 481	- 27
Oklahoma	528	475	- 53	- 10
Oregon	410	346	- 64	- 16
Pennsylvania	1,617	1,465	- 152	- 9
Rhode Island	128	101	- 27	- 21
South Carolina	602	546	- 56	- 9
South Dakota	99	95	- 4	- 4
Tennessee	983	743	- 241	- 24
Texas	3,819	2,665	- 1,154	- 30
Utah	234	277	43	18
Vermont	76	66	- 10	- 13
Virginia	783	597	- 185	- 24
Washington	660	444	- 216	- 33
West Virginia	405	309	- 96	- 24
Wisconsin	467	442	- 25	- 5
Wyoming	57	57	*	1
Total	40,764	35,600	- 5,164	- 13

Notes: Individual cells may not sum to totals because of rounding.

Total includes the Commonwealth of Puerto Rico, other territories and outlying areas, and Indian Tribal Organizations.

This table assumes that Congress appropriates the full amount authorized for fiscal year 1996.

* equals less than $1 million.

NOTE: On page 36, the percent change in farm income for peanuts without loss of Section 32, under Section V, should read -0.6 (instead of 0.6).

The Nutrition, Health, and Economic Consequences of Block Grants for Federal Food Assistance Programs

Food and Consumer Service
Economic Research Service

U.S. Department of Agriculture
January 17, 1995

INTRODUCTION

The U.S. Department of Agriculture administers the Nation's domestic food and nutrition programs (Appendix A). Together, these programs serve more than 45 million Americans every month. The Food Stamp Program (FSP) alone serves about 27 million people monthly, more than half of whom are children, over a quarter of whom live in households with earnings, and about 7 percent of whom are elderly. The National School Lunch Program (NSLP) serves 25 million children each day. WIC provides food assistance, nutrition education, and critical health care referrals to nearly 7 million women, infants, and children monthly.

The Food Stamp Program is designed to help meet the basic nutritional needs of all eligible low-income families or individuals; other food and nutrition programs provide supplemental benefits to those with special needs, such as children or pregnant or lactating women. Together these programs fashion a network of food and nutrition assistance that ensures that every American, regardless of income, has access to an adequate and nutritious diet.

While food and nutrition programs have long enjoyed broad support, current fiscal realities compel a careful review of the merits of all federal programs. It is in this context that the Personal Responsibility Act and other proposals that could affect food assistance programs are being discussed.

The Personal Responsibility Act (HR 4), a key component of the Contract with America, would make sweeping changes that alter the very character of the existing food assistance programs. Specifically, the Personal Responsibility Act, if enacted, would:

- Combine all USDA food and nutrition assistance programs into a single discretionary block grant to States;
- Authorize an appropriation of $35.6 billion in fiscal year (FY) 1996 for the Food Assistance Block Grant;
- Eliminate all uniform national standards;
- Give States broad discretion to design food assistance programs, provided only that no more than 5 percent of the grant support administration, at least 12 percent support food assistance and

nutrition education for women, infants, and young children, and at least 20 percent support school-based and child-care meal programs;

- Eliminate USDA's authority to donate commodities; USDA could only sell bonus commodities to States;

- Require most single individuals or childless couples to work at least 32 hours per month in public sector jobs; and

- Eliminate assistance for virtually all noncitizens, legal or not.

This paper examines the consequences of the Personal Responsibility Act on the existing food and nutrition programs. First, we look at the impacts these changes would have on the food assistance safety net. Then, we examine the effects of these changes on the nutrition and health of the American people, particularly children and the poor. Next, we look at what might happen to the food and agriculture industry and the economy in general. Finally, we explore how these changes could affect States and the individuals currently served by food and nutrition programs.

While this analysis concentrates on the changes put forward in the Personal Responsibility Act, it is important to note that virtually any proposal that includes substantial reductions in funding or creation of large-scale block grants would have similar consequences.

FINDINGS

Enactment and implementation of the Personal Responsibility Act would have substantial consequences for the safety net of food assistance programs now in place; for the nutrition and health of low-income Americans; for food, agriculture, and the economy; and for the level and distribution of federal support to States. These effects are each described in turn.

Consequences for Food Assistance

The proposed Personal Responsibility Act would significantly reduce federal support for food and nutrition assistance. USDA funding for food and nutrition assistance would be cut by more than $5 billion -- or 13 percent -- from the FY 1996 current service estimate and by $3 billion below spending in FY 1995. The gap between current services and the adjusted block grant funding would widen to $7 billion in FY 2000 and total nearly $31 billion over five years (Table 1).

The Personal Responsibility Act would also eliminate funding for elderly congregate and home-delivered (meals-on-wheels) meals provided through the Administration on Aging (AoA). In FY 1995, AoA provided $470 million in addition to the $150 million provided through the USDA Nutrition Program for the Elderly. Funding for these programs would need to come from monies appropriated under the Personal Responsibility Act.

All food and nutrition assistance would be forced to compete for limited discretionary funds. States' ability to deliver nutrition benefits would be subject to changing

Table 1 -- Effect of the Personal Responsibility Act on USDA Food Assistance Program Costs
(Dollars in millions)

	Fiscal Year					Total
	1996	1997	1998	1999	2000	
Current Law:						
Food Stamps/NAP	$27,777	$29,179	$30,463	$31,758	$33,112	$152,290
Child Nutrition	8,681	9,269	9,903	10,556	11,283	49,692
WIC	3,924	4,231	4,245	4,379	4,513	21,291
All Other	382	351	351	351	351	1,784
Total	40,764	43,029	44,962	47,042	49,260	225,057
Proposed Law:	35,600	37,138	38,756	40,457	42,214	194,166
Difference	-5,164	-5,891	-6,206	-6,585	-7,046	-30,892
Percent Difference	-12.7%	-13.8%	-13.8%	-14.0%	-14.3%	-13.7%

Notes: Based on current service program level for USDA food assistance programs in Department estimates of September 1994 (excluding projected costs of Food Program Administration but including anticipated mandatory spending for WIC, consistent with Presidential policy). This table does not include the budgetary effects of food programs operated by the Administration on Aging in the Department of Health and Human Services.

The Food Stamp total includes the cost of the Nutrition Assistance Program in Puerto Rico.

The Child Nutrition total includes all administrative and program costs for the National School Lunch, School Breakfast, Special Milk, Summer Food Service, Nutrition Education and Training, and Child and Adult Care Food Programs, the value of commodities provided to schools, and support for the Food Service Management Institute.

The All Other total includes all administrative and program costs for the Commodity Supplemental Food Program, the Emergency Food Assistance Program, the Food Distribution Program on Indian Reservations, the Nutrition Program for the Elderly, and Food Distribution to Charitable Institutions and Soup Kitchens and Food Banks.

Proposed levels for the block grant in fiscal years 1997 through 2000 are increased from the 1996 amount using the projected increase in total population and the cost of the Thrifty Food Plan for the preceding year. Totals may not equal sum of columns due to rounding.

This table assumes that Congress appropriates the full amount authorized in each year.

annual appropriation priorities. There is no guarantee that Congress would appropriate the full amount authorized in any given year. Moreover, the authorization ceiling in every future year would be based on the previous year's appropriation. If the Food Assistance Block Grant is reduced in one year to support other priorities, funding for future fiscal years would be permanently lower. As a result, the difference between the funding needed to support current services for food assistance and the funding appropriated to support the food assistance block grant could be even greater than the estimates reported here.

Under the proposed block grant, food assistance programs would be unable to respond to changing economic circumstances. Historically, the Food Stamp and Child Nutrition programs have automatically expanded to meet increased need when the economy is in recession and contracted when the economy is growing.

Under current law, if a family or individual is needy enough to qualify for Food Stamp or Child Nutrition benefits, they are assured of benefits regardless of where they live. These families and individuals need only apply to receive these benefits. Thus, as unemployment and poverty grow, so does program participation, cushioning some of the harsher consequences of economic recession.

It is not possible for the Food Assistance Block Grant, or any other block grant, to respond to economic or demographic changes in this way. While the number of people eligible for and in need of assistance will grow as the economy weakens, unemployment rises, or poverty increases, they will not necessarily be entitled to receive any support. Because federal funding for food assistance would no longer automatically increase in response to greater need, States would have to decide whether to cut benefits, tighten eligibility, or dedicate their own revenues to anti-hunger programs. The demand for assistance to help the poor would be greatest at precisely the time when State economies are in recession and tax bases are shrinking.

Food stamp benefits are based on the amount of resources needed to purchase an adequate and nutritious diet. If benefits are reduced across the board, they would no longer be sufficient to enable families to purchase the food they need to sustain an active, healthy life.

The importance of the loss of an automatic adjustment to food assistance programs can be illustrated best by looking back to the period between 1989 and 1994, when the U.S. economy fell into recession and subsequently recovered. Had total food assistance been cut by 13 percent in 1989 and then adjusted by changes in total population and food prices -- as proposed in the Personal Responsibility Act -- the block grant in 1994 would have been over $12 billion less than the federal support actually provided for food assistance (Table 2), a reduction of about one-third. Over the course of five years, the shortfall would have amounted to $46 billion.

Even in the absence of the initial 13 percent funding reduction called for in the Personal Responsibility Act, the block grant adjustment would not have kept pace with existing automatic adjustments. By 1994, funding for food assistance would have been $9 billion below actual spending. Any

Table 2 -- Historical Illustration of Food Assistance Block Grant
(Dollars in millions)

Year	Actual Food Assistance	With Initial Reduction *			Without Initial Reduction		
		Adjusted Block Grant	Difference		Adjusted Block Grant	Difference	
			Total	Percent		Total	Percent
1989	$21,697	$18,941	-$2,756	-12.7	$21,697	N/A	N/A
1990	24,778	20,666	-4,112	-16.6	23,672	-$1,106	-4.5
1991	28,849	21,971	-6,878	-23.8	25,167	-3,682	-12.8
1992	33,519	23,232	-10,287	-30.7	26,612	-6,907	-20.6
1993	35,397	23,369	-12,028	-34.0	26,769	-8,628	-24.4
1994	36,928	24,374	-12,554	-34.0	27,920	-9,008	-24.4

Notes: Actual food assistance includes total federal cost of all USDA food assistance programs, excluding Food Program Administration. The cost of food programs operated by the Administration on Aging in the Department of Health and Human Services are not included.

These figures assume that Congress would have appropriated the full amount authorized in each year. The block grant authorization is adjusted by the change in total U.S. population and the Consumer Price Index for Food at Home in the preceding year (ending on July 1 for population and in May for the CPI).

* The initial 12.7 percent reduction in the first year is equivalent to the estimated percentage reduction in food assistance funding in the first year of the Personal Responsibility Act as shown in Table 1.

block grant proposal would have similar effects because no formula adjustment can replace the automatic adjustments built into the Food Stamp and Child Nutrition programs.

The proposed block grant would shift spending among food assistance programs. The floors and ceilings on spending for administration, for services for women, infants and young children, and for child nutrition would redistribute the funds available for these broad program categories (Table 3). The minimum set-aside for food assistance and nutrition education services to women, infants, and young children would be about $860 million more than the anticipated spending on comparable WIC services in the FY 1996 baseline. The minimum set-aside for child nutrition services excluding administration would be $1.2 billion less than the comparable baseline. The funds remaining would be $3.7 billion below the projected current service level for all other programs, including the Food Stamp and Food Distribution programs.

The federal share of State administrative expenses for food assistance programs now averages about eight percent, with substantial variations among States. Under the Personal Responsibility Act, States could use no more than five percent of their grant on program administration. Thus, the ceiling would effectively reduce federal support for administrative costs by more than one-third. Because the bill would not require States to contribute any of their own funds to program administration -- while current law requires them to contribute about half of the cost of administering the Food Stamp Program -- the actual reduction in total administrative support could be much greater.

Consequences for Nutrition and Health

The reduced investment in food and nutrition assistance programs and elimination of the authority to establish nutrition standards will adversely affect the nutrition and health of low-income families and individuals.

The scientific link between diet and health is clear -- dietary intake is linked to major chronic diseases, including heart disease, stroke, diabetes, and certain forms of cancer. Fourteen percent of all deaths, about 300,000 per year, are linked to diet and activity patterns. Furthermore, small improvements in average dietary intakes towards the Dietary Guidelines for Americans have a large value. Very modest reductions in fat, saturated fat, and cholesterol intake due to food labeling changes (from 0.1 to 1.4 percent) were valued by the Food and Drug Administration at $4.4 billion to $26.5 billion over 20 years.

Low-income households are at greater risk of nutrition-related disorders and chronic disease than the rest of the population. There is a substantial body of research demonstrating that the incidence of nutrition-related disorders and health conditions related to poor nutrition is greatest among the low-income population. The Federation of American Societies for Experimental Biology, in a report on nutrition monitoring in the United States, summarizes various findings from key nutrition studies of recent years. Among the findings reported are the following:

Table 3 -- Distribution of Program Funds Under the Proposed Block Grant and Current Law
(Dollars in millions)

	Fiscal Year					Total
	1996	1997	1998	1999	2000	
Block Grant Funding:						
Administration (5%)	$1,780	$1,857	$1,938	$2,023	$2,110	$9,708
Women/Infant/Child (12%)	4,272	4,457	4,651	4,855	5,066	23,301
Child Nutrition (20%)	7,120	7,428	7,751	8,091	8,443	38,833
All Other	22,428	23,397	24,416	25,488	26,595	122,324
Total	35,600	37,139	38,756	40,457	42,214	194,166
Current Law Funding:						
Administration	2,864	2,958	3,042	3,154	3,273	15,291
WIC	3,414	3,685	3,699	3,817	3,937	18,552
Child Nutrition	8,321	8,884	9,480	10,088	10,766	47,539
All Other	26,165	27,503	28,742	29,984	31,283	143,677
Total	40,764	43,029	44,962	47,042	49,260	225,057
Difference:						
Administration	-1,084	-1,101	-1,104	-1,131	-1,163	-5,583
Women/Infants/Children	858	772	952	1,038	1,129	4,749
Child Nutrition	-1,201	-1,456	-1,729	-1,997	-2,323	-8,706
All Other	-3,737	-4,106	-4,326	-4,496	-4,688	-21,353
Total	-5,164	-5,890	-6,206	-6,585	-7,046	-30,892

Notes: The current law estimate of spending on administration includes federal funding of State Administrative Expenses for the Food Stamp, Child Nutrition, and Food Distribution programs; administrative funding (excluding the cost of providing nutrition education, health care referrals, and other services) for WIC; other program costs (such as printing and shipping of coupons) for the FSP; research and evaluation; coordinated review for the school meals programs; funding for the Food Service Management Institute, dietary guidelines implementation, and communication activities related to the Child Nutrition Program. Federal Food Program Administration is not included. Nutrition services, health care referrals, and other similar costs for WIC are included as a WIC benefit.

The current law Child Nutrition total includes all program costs for the National School Lunch, School Breakfast, Special Milk, Summer Food Service, Nutrition Education and Training, and Child and Adult Care Food Programs and the value of commodities provided to schools.

The current law All Other total includes all program costs for the Food Stamp Program, the Nutrition Assistance Program in Puerto Rico, the Commodity Supplemental Food Program, the Food Distribution Program on Indian Reservations, the Nutrition Program for the Elderly, and Food Distribution to Charitable Institutions and Soup Kitchens and Food Banks.

This table assumes that Congress appropriates the full amount authorized in each year.

Sums may not total due to rounding.

- The prevalence of health conditions directly or indirectly related to poor nutritional status is generally highest among the low-income population;

- The risk of nutrition-related disorders is generally greater in low-income groups than in groups with higher incomes;

- The prevalence of iron deficiency is greater among women below the poverty line than among women above it;

- Intakes of a number of vitamins and minerals are lower among the poor than among the nonpoor. For example, on average, low-income women have inadequate intakes of vitamin E, vitamin B-6, folacin, calcium, magnesium, iron, and zinc. Their intakes for these nutrients are below those of women at higher income levels; and

- The rate of anemia is substantially higher among poor children below the age of 4 than among nonpoor children in this age group.

Most of the food assistance and nutrition programs were started in response to documented problems of under-consumption and undernutrition in the United States in the 1960's and early 1970's. Results from three major nutrition surveys -- the Ten State Nutrition Survey (1968-1970), the Preschool Nutrition Survey (1968-1970), and the first Health and Nutrition Examination Survey (1971-1974) indicated that problems of growth deficits, anemia, and dental caries were more common in low-income populations than in the U.S. population as a whole.

The existing food assistance programs contain a direct link to nutrition and health. Food stamp benefits across the country are tied to the cost of a modestly-priced nutritious diet sufficient to sustain an active, healthy life. The key components of WIC include food packages tailored to specific nutrition requirements, nutrition education, health care referrals, and immunization screening. The Child Nutrition Programs contain standards that ensure school meals served to America's children meet certain nutritional requirements.

Since the nationwide expansion of the Food Stamp Program and the introduction of WIC, the gap between the diets of low-income and other families has narrowed. USDA has conducted periodic surveys to assess the eating habits of the American people. These data show that the diets of the poor improved markedly between 1965-1966 and 1977-1978, a period that marked the nationwide expansion of the Food Stamp Program and the introduction of WIC. The percent of low-income households with diets that met 100 percent of the Recommended Dietary Allowances (RDAs) for 7 key nutrients essential to good health -- protein, calcium, iron, vitamin A, thiamin, riboflavin, and ascorbic acid -- grew from less than 40 percent to about 50 percent. This increase is more than double the increase -- from 50 percent to 55 percent -- seen in the general population over the same period.

Nutritional status in the United States as measured by growth, low birthweight, and hematological status has improved. A number of reviews credit a part of this improvement in the nutritional status of vulnerable groups to the safety net provided by the food and nutrition assistance programs.

- o *The incidence of stunting has decreased by nearly 65 percent.* Nutrition surveillance data (CDC, 1977) from 13 States for the period from 1974 to 1976 indicated that 22.8 percent of preschool aged children were stunted (having low height for their age). Similar data were reported from the first Health and Nutrition Examination Survey. However, by 1992, the prevalence of stunting in low-income children had dropped to 8 percent (DHHS, 1994).

- o *Similar improvements in the prevalence of low birthweight have been documented.* In 1965-1967, 8.3 percent of all live births in the United States were low birthweight (less than 2,500 grams). By 1990, the low birthweight rate had dropped to 7.0 percent.

- o *The prevalence of anemia in low-income preschool aged children has also improved dramatically.* Data from the CDC Pediatric Surveillance System indicate that rates of anemia in pre-school aged children dropped by 5 percent or more for most age and racial/ethnic groups between 1980 and 1991 (Yip et al, 1992). Researchers attribute a significant proportion of this reduction in anemia to participation in WIC.

  Anemia has, for a long time, been associated with apathy and listlessness. More recent data indicate that physical work capacity is decreased with anemia. In addition, mild to moderate anemia has been associated with diminished mental performance in school.

Under the Personal Responsibility Act all nutrition standards for food assistance programs would be eliminated.

- o *The Personal Responsibility Act would eliminate the standards that ensure America's children have access to healthy meals at school.* The current law authorizing the Child Nutrition Programs ensures that the meals served to school children satisfy certain nutrition standards. As a result, participating children are able to obtain the recommended one-third of the RDA for basic vitamins and minerals essential for good health from lunch and one-fourth from breakfast.

  Students' daily intakes of total fat and saturated fat, however, exceed current dietary recommendations. Daily intakes at lunch average 37 percent of calories from fat, compared with the Dietary Guideline goal of 30 percent or less, and 14 percent from saturated fat, compared with the Dietary Guideline goal of less than 10 percent. USDA -- through its School Meals Initiative for Healthy Children -- proposed regulations in June to update nutrition standards and require school meals to meet the Dietary

Guidelines. The 1994 reauthorization of the Child Nutrition Programs further endorsed the Dietary Guidelines as national standards by making them a program requirement by law.

o *The Personal Responsibility Act threatens the key components of WIC.* Much of WIC's success rests on a tightly prescribed combination of targeted food package, nutrition counseling, and direct links to health care for expectant and post-partum mothers and their children. Under the Personal Responsibility Act, States no longer would be required to provide any of these key components. The potential loss of these components is particularly problematic given the significant body of evidence that shows investments in WIC return substantially larger savings in public health care costs.

Rigorous studies have demonstrated that WIC reduces infant deaths, low birthweight, premature births, and other problems. Prenatal WIC participants have better birth outcomes than eligible nonparticipants. Participation in WIC increases average gestational age and birthweight while reducing the incidence of very low birthweight babies and infant mortality. As a result, Medicaid-eligible women who participate in WIC have lower health care costs. In the first 60 days after birth, the Medicaid savings for newborns and their mothers averaged between \$1.77 and \$3.13 for every dollar spent on WIC. The ratio of savings to costs was larger when measured over the first year, ranging from \$1.92 to \$4.21.

WIC improves the nutrition of participants. The program played a significant role in the decline in the incidence of iron deficiency anemia. Children participating in WIC have more nutrient dense diets than eligible nonparticipants, with higher intakes of iron, vitamin C, thiamin, niacin and vitamin B_6.

WIC participation is also responsible for better health care use. Pregnant participants are more likely to receive prenatal care. WIC also significantly increases the rates of childhood immunization.

States would not be held accountable for results. While the Personal Responsibility Act eliminates all nutrition standards, it provides no mechanism to ensure accountability for achieving results and ensuring proper stewardship of federal funds. There are no requirements or vehicles for State reporting of activities, federal oversight of operations, or reporting to Congress and the American public on the services provided or the results achieved with a multi-billion dollar block grant.

Consequences for Food, Agriculture, and the Economy

The Personal Responsibility Act would ultimately mean less money available to support food purchases and agricultural incomes. This effect occurs in three ways. First, the bill would reduce the amount of federal support for food assistance programs. Second, the bill would repeal USDA's authority to donate commodities. And finally, the bill would enable States to move away from food stamp coupons, electronic benefit transfer, and WIC prescriptions -- each with a direct link to food purchase -- and provide assistance in cash. Retail food spending will decrease when the same level of assistance is provided as cash rather than targeted assistance.

These changes have implications for the food and agriculture industry and the general economy. A reduction in federal support would result in lower retail food sales. As food spending declines, the loss in sales would affect earnings of food manufacturing and distribution firms. Agricultural producers would suffer decreases in gross farm income as farm prices and food sales decline. The economic effects would not be limited specifically to food-related goods and services. Non-food sectors would be affected by reduced government expenditures in the economy. This would occur through deficit reduction, tax cuts, or some combination of both. Appendix B describes the procedures and detailed results of an analysis to estimate impacts for farm and food sectors and the economy-at-large.

By reducing federal support for food assistance by $5 billion and converting the remaining $35.6 billion in food assistance to a block grant, the Personal Responsibility Act could result in an immediate fall in retail food sales of $4.25 billion to $10.5 billion. The cap on administrative spending will force States to look for ways to reduce administrative costs. Even without this incentive, many States have pushed hard for waivers to existing Food Stamp Program requirements to provide food stamp benefits in the form of cash rather than coupons. Under the Personal Responsibility Act, States would no longer need to seek USDA's approval and could immediately cash-out any and all food assistance programs. Cash-out could occur in spite of evidence that an in-kind benefit is more effective in stimulating food purchases than a similar benefit provided in cash.

Agricultural producers stand to lose under the Personal Responsibility Act. Farm income for livestock, vegetable and fruit commodity producers could fall by as much as $1 to $2 billion in response to a $5 billion cut in federal support with conversion of remaining food assistance to block grants. Income losses for other agricultural producers would be moderated by existing farm price and income support programs. For example, grain and soybean producers' gross income (which includes government farm support payments) could potentially fall by $200 million and federal grain program costs would increase by $250 million. Gross farm income declines because government payments do not fully offset the loss of market income.

The impact on the dairy sector depends on the potential losses in fluid milk sales if the mandatory milk requirement in the National School Lunch Program is lifted. If fluid milk sales to the NSLP were to fall by 25 percent, dairy producers would lose as much as $380 million in income. Federal dairy program costs would increase by $228 million. With no decrease in milk usage by NSLP, the income loss would potentially reach $315 million and program cost would increase by $191 million.

For peanut producers, gross income losses could vary between $0 and $26 million depending on the extent to which the existing section 32 surplus removal policies absorbed the excess supplies. Likewise, peanut program costs could increase from $14 million to $37 million.

We also estimated impacts beyond the farm sector using economywide models that incorporate intersectoral linkages among different goods and service producing sectors. Impacts were estimated for several scenarios as detailed in Appendix B. Short run impacts were estimated assuming constant wages and prices.

In the short run, the Personal Responsibility Act could add a tenth of a percent to aggregate U.S. unemployment. A $5 billion reduction and conversion to block grants could cost 126,000 to 138,000 jobs, the majority of which are in the food sector. Farm and food sector output could fall by as much as $6 billion to $16 billion, and output in the nonfood sector could decrease by as much as $4 billion. (In some scenarios, output in the nonfood sector could increase by $2 billion.) In general, every $1 billion reduction in food assistance costs the economy about 25,000 jobs.

In the long-run, the Personal Responsibility Act would reduce employment in farm production by 15,000 to 45,000 jobs and output by more than $1 billion. Food processing and distribution sectors could lose between 28,000 and 83,000 jobs and between $3 billion and $9 billion in output. Employment declines in the food sector would be offset by non-food job increases. While some of the short-run impact would be mitigated as the economy adjusted back to full employment, there would be lasting changes in the composition of output and in the distribution of employment. We estimated long run impacts with an economywide model that allows for wages and prices to adjust to restore a balance between the supply and demand for labor and for various goods and services in the economy.

The economic effects would be felt most heavily in rural America. For both the short-run and long-run scenarios, nonmetropolitan areas would suffer disproportionate job losses. In the short-run, in response to a $5 billion food assistance funding reduction with conversion to a block grant, nonmetropolitan areas would lose twice as many jobs as urban areas as a proportion of employment levels. In addition to farming, food processing activities are located in these areas. In the long run, the nonmetropolitan employment and output losses diminish but would not entirely disappear. Conversely, employment in urban areas would actually increase slightly, thus permanently shifting employment from nonmetropolitan to metropolitan areas.

Under the Personal Responsibility Act, the amount of commodities made available to support food assistance would be significantly reduced. USDA would have authority only to sell bonus commodities to States. Eliminating federal food assistance programs would remove a significant outlet for the commodities obtained under price-support and surplus-removal programs.

This would result in diminished support to agricultural markets, increased federal storage costs and possibly increased donations to foreign countries in lieu of distribution of such commodities domestically for use in providing food assistance.

Consequences for States

The proposed formula for distributing grant funds to States would result in substantial individual losses for most States. If Congress appropriates the full amount authorized under the Personal Responsibility Act, most States would lose federal funding in FY 1996; only eight States would gain. In some cases -- as shown in Table 4 -- the gains and losses are substantial. For example, California could gain about $650 million; Texas could lose more than $1 billion.

Several factors help explain the pattern of winners and losers. On the one hand, there is the 13 percent reduction in total federal funds available for food assistance. Absent any other change, all States would lose federal funding.

On the other hand, there is the allocation of funds among States using their share of the economically disadvantaged population. This approach would redistribute benefits among the States for at least three reasons.

First, the income limits defining the economically disadvantaged are higher in some parts of the country than in others (Appendix C). Holding everything else constant, States in regions with higher income limits -- and, therefore, with larger numbers of people defined as economically disadvantaged -- should gain federal funding in the proposed block grant. Conversely, States in regions with relatively low income limits should receive a smaller share of the block grant.

Second, some States serve a higher portion of those eligible for food stamp benefits under the existing program. Because the block grant funds would be distributed among States based on a count of the number of economically disadvantaged people -- not the number of people actually served -- States with relatively high food stamp participation rates would be more likely to lose federal funding than those which have been less successful in enrolling the eligible population.

Finally, some States pay higher AFDC benefits than others. Food stamp benefits -- because they depend on household income, including AFDC -- tend to be smaller in States with large AFDC payments. Because the block grant funds would be distributed among States based on the number of economically disadvantaged people -- not the proportion of benefits currently going to those individuals -- States with the highest AFDC payments would be most likely to gain federal funding under the proposed block grant and States with the lowest payments would be most likely to lose.

In other words, the States that lose are likely to be in regions with relatively low income limits, to have higher than average rates of participation in the FSP currently, and to pay relatively low AFDC benefits.

The cases of California and Texas illustrate how these factors would interact to affect funding available to each State. California

Table 4 -- Effect of the Personal Responsibility Act on USDA Food Assistance Programs by State in Fiscal Year 1996
(Dollars in millions)

State	Level of Food Assistance		Difference	
	Current	Proposed	Total	Percent
Alabama	$818	$713	- $105	- 13
Alaska	97	84	- 13	- 13
Arizona	663	554	- 109	- 16
Arkansas	422	403	- 19	- 4
California	4,170	4,820	650	16
Colorado	412	417	5	1
Connecticut	297	248	- 49	- 17
Delaware	92	58	- 34	- 37
District of Columbia	137	85	- 52	- 38
Florida	2,194	1,804	- 389	- 18
Georgia	1,209	934	- 275	- 23
Hawaii	215	198	- 17	- 8
Idaho	127	176	49	38
Illinois	1,741	1,483	- 258	- 15
Indiana	713	691	- 22	- 3
Iowa	297	266	- 31	- 11
Kansas	307	270	- 37	- 12
Kentucky	740	582	- 157	- 21
Louisiana	1,141	765	- 375	- 33
Maine	188	167	- 21	- 11
Maryland	576	404	- 172	- 30
Massachusetts	608	577	- 32	- 5
Michigan	1,390	1,109	- 281	- 20
Minnesota	508	490	- 18	- 4
Mississippi	730	603	- 127	- 17
Missouri	810	754	- 56	- 7
Montana	111	140	29	26
Nebraska	187	175	- 12	- 6
New Hampshire	89	94	5	5
New Jersey	836	704	- 132	- 16
New Mexico	361	321	- 40	- 11
Nevada	145	150	5	3
New York	3,101	2,661	- 440	- 14
North Carolina	930	849	- 81	- 9
North Dakota	86	76	- 9	- 11

State	Level of Food Assistance		Difference	
	Current	Proposed	Total	Percent
Ohio	1,768	1,287	- 481	- 27
Oklahoma	528	475	- 53	- 10
Oregon	410	346	- 64	- 16
Pennsylvania	1,617	1,465	- 152	- 9
Rhode Island	128	101	- 27	- 21
South Carolina	602	546	- 56	- 9
South Dakota	99	95	- 4	- 4
Tennessee	983	743	- 241	- 24
Texas	3,819	2,665	- 1,154	- 30
Utah	234	277	43	18
Vermont	76	66	- 10	- 13
Virginia	783	597	- 185	- 24
Washington	660	444	- 216	- 33
West Virginia	405	309	- 96	- 24
Wisconsin	467	442	- 25	- 5
Wyoming	57	57	*	1
Territories/ITOs/Other				
Dept. of Defense	5	0	- 5	- 100
Indian Tribal Org.	122	85	- 37	- 30
American Samoa	5	5	*	- 3
Guam	31	30	- 1	- 3
Puerto Rico	1,478	1,698	221	15
Virgin Islands	39	38	- 1	- 3
Outlying Areas	2	2	*	- 3
Total	40,764	35,600	- 5,164	- 13

Notes: Individual cells may not sum to totals because of rounding.

This table assumes that Congress appropriates the full amount authorized in fiscal year 1996.

* equals less than $1 million.

is in the West region (which has a relatively high income limit), has a food stamp participation rate 13 percent below the national average, pays $593 per month on average to food stamp households on AFDC, and would gain more than $650 million in funding under the block grant. Texas, on the other hand, is in the South region (which has the lowest income limit), has a participation rate 6 percent higher than the national average, pays only $174 on average to food stamp households on AFDC, and would lose more than $1 billion.

Funding reductions of the size called for in the Personal Responsibility Act would force States to reduce the number of people served by the FSP, benefit levels, or both. An estimated 34 States would lose funding for services to individuals currently served by the Food Stamp and Food Distribution Programs. Even if all spending on Food Distribution Programs were eliminated, half of these States would not have enough funding to serve the current food stamp population.

Unless States can fill the gap between current service and block grant funding, they will be faced with the choice of reducing benefits across the board, restricting participation, or some combination of both. As shown in Table 5, most States would have to make dramatic reductions in food stamp caseloads or benefits.

States could, for example, choose to accommodate the lower funding available by lowering eligibility limits for the Food Stamp Program, restricting participation to those with the least income and the greatest need. Applying this approach to projections for FY 1996, the reduction in funding available to the Food Stamp Program would require States to serve 6 million fewer food stamp participants, a 22 percent reduction. Ten States would have to restrict participation by more than 40 percent. This would mean lowering the income eligibility guidelines from the current limit of 130 percent of poverty to below 60 percent of poverty.

Alternatively, States could continue serving the current food stamp caseload, but reduce benefits across the board. If States adopted this approach, the average benefit per person would fall by about $11 per month (14 percent). In 9 States, the pro rata benefit reduction needed to sustain current participation would exceed 30 percent.

These estimates assume States spend only the 20 percent minimum on child nutrition services. If States spend more on child nutrition, the reductions needed in services to current Food Stamp and Food Distribution Program recipients would be even larger.

If States spend no more than the minimum on child nutrition services, the reductions in funding for child nutrition could be just as extensive. Based on current spending for Child Nutrition programs, all but 8 States will lose funding. Total child nutrition funds could be cut by over 25 percent in 19 States (Table 6).

Under current law, the School Lunch and School Breakfast programs provide means-tested support for all meals served to children. Modest subsidies provided to higher-income children help support the infrastructure to serve nutritious meals to

Table 5 -- Effect of the Personal Responsibility Act on Food Stamp Program Participants by State in Fiscal Year 1996

State	Change in Food Stamp/Food Distribution Assistance (millions)	If States Adjust Caseload:		If States Adjust Benefits:	
		Change in Average Monthly Participants	Percent Change	Change in Average Benefit per Person	Percent Change
Alabama	- $65	-132,000	-23	-$ 9.15	-12
Alaska	- 2	-3,000	-8	- 3.95	-4
Arizona	- 93	-161,000	-33	-14.75	-20
Arkansas	16	20,000	7	4.70	7
California	568	670,000	23	16.45	23
Colorado	6	7,000	3	1.95	3
Connecticut	- 11	-33,000	-15	-3.55	-6
Delaware	- 17	-23,000	-40	-23.70	-31
District of Columbia	- 42	-42,000	-49	-37.80	-42
Florida	- 337	-520,000	-35	-18.15	-22
Georgia	- 157	-289,000	-36	-15.70	-21
Hawaii	- 23	-22,000	-22	-18.15	-15
Idaho	45	57,000	71	47.55	71
Illinois	- 240	-458,000	-39	-16.10	-20
Indiana	- 20	-49,000	-10	-2.85	-4
Iowa	1	2,000	1	.55	1
Kansas	11	13,000	7	4.70	7
Kentucky	- 108	-206,000	-39	-16.30	-22
Louisiana	- 252	-372,000	-48	-25.55	-33
Maine	- 20	-36,000	-26	-11.30	-15
Maryland	- 124	-162,000	-43	-26.80	-32
Massachusetts	- 7	-4,000	-1	-.30	*
Michigan	- 266	-370,000	-36	-19.95	-26
Minnesota	41	48,000	15	10.60	15
Mississippi	- 79	-176,000	-33	-11.75	-17
Missouri	- 57	-126,000	-21	-7.30	-10
Montana	25	28,000	40	29.10	40
Nebraska	17	21,000	18	12.20	18
Nevada	- 3	-4,000	-5	-1.50	-2
New Hampshire	6	7,000	12	8.55	12
New Jersey	- 103	-140,000	-26	-15.35	-18
New Mexico	- 18	-37,000	-15	-4.75	-6
New York	- 363	-528,000	-26	-14.00	-17
North Carolina	- 7	-8,000	-1	-.35	-1
North Dakota	6	7,000	15	10.50	15

State	Change in Food Stamp/Food Distribution Assistance (millions)	If States Adjust Caseload:		If States Adjust Benefits:	
		Change in Average Monthly Participants	Percent Change	Change in Average Benefit per Person	Percent Change
Ohio	- 427	-627,000	-49	-27.45	-34
Oklahoma	- 32	-73,000	-20	-6.55	-9
Oregon	- 50	-120,000	-42	-13.75	-18
Pennsylvania	- 185	-332,000	-28	-12.40	-16
Puerto Rico	- 44	-56,000	-4	-2.50	-4
Rhode Island	- 19	-32,000	-34	-16.70	-23
South Carolina	3	3,000	1	.60	1
South Dakota	10	11,000	20	14.75	20
Tennessee	- 207	-360,000	-46	-21.55	-30
Texas	- 826	-1,250,000	-47	-25.20	-32
Utah	61	72,000	54	38.20	54
Vermont	- 3	-8,000	-14	-3.80	-6
Virginia	- 126	-220,000	-41	-18.90	-24
Washington	- 146	-207,000	-45	-25.60	-34
West Virginia	- 88	-113,000	-35	-22.10	-31
Wisconsin	14	18,000	5	3.35	5
Wyoming	5	6,000	17	12.50	17
Total	- 3,734	-6,311,000	-22	-10.80	-14

Notes: Based on projected block grant funds available for all other programs within each State after setting aside 5 percent for administration, 12 percent for food assistance and nutrition services to women, infants, and young children, and 20 percent for child nutrition.

In those States where the remaining funds are insufficient to support the projected current service level for the Food Stamp and Food Distribution programs, this table assumes that States will first eliminate Food distribution programs and then either (a) lower the food stamp income eligibility limits to eliminate participants with relatively high incomes or (b) make a pro rata reduction in benefits across the board.

In those States where the remaining funds exceed the projected current services level for the Food Stamp and Food Distribution programs, this table assumes that States will maintain food distribution and add new food stamp participants or increase food stamp benefits across the board as funds permit.

In both cases, the impacts on caseload and benefits are based on projections of the number of participants and the average food stamp benefit per person in each State in fiscal year 1996.

This table assumes that Congress appropriates the full amount authorized in fiscal year 1996.

Sums of columns may not equal total due to rounding.

Table 6 -- Effect of the Personal Responsibility Act on Child Nutrition Programs by State in Fiscal Year 1996

State	Percentage Change in dollars	$ Change (millions)	Children Made Ineligible for NSLP (thousands)	Potential Program Impact
Alabama	-18%	-$ 32	1,400	Cut exceeds size of the School Breakfast Program (SBP) and the Summer Food Service Program (SFSP).
Alaska	-29%	-$ 7	69	Cut exceeds 40 percent of NSLP.
Arizona	-19%	-$ 26	525	Cut exceeds size of SBP and SFSP.
Arkansas	-26%	-$ 29	262	Cut exceeds size of Child and Adult Care Food Program (CACFP) and SFSP.
California	- 6%	-$ 60	2,800	Nearly 3 million children would lose eligibility for NSLP benefits.
Colorado	-10%	-$ 9	400	Cut exceeds size of SBP and SFSP.
Connecticut	-24%	-$ 16	337	Cut exceeds size of CACFP and SFSP.
Delaware	-51%	-$ 12	71	Cut exceeds size of NSLP; or SBP and CACFP. Two-thirds of children in NSLP would be made ineligible.
District of Columbia	-22%	-$ 5	32	Cut exceeds size of SBP and SFSP.
Florida	-17%	-$ 75	1,120	Cut exceeds size of CACFP and SFSP.
Georgia	-31%	-$ 85	732	Cut equals size of SBP, CACFP, and SFSP; or more than 40 percent of NSLP.
Hawaii	+21%	+$ 7	137	Grant increases, while three-quarters of children in NSLP would be made ineligible.
Idaho	+8%	+$ 3	148	Two-thirds of children in NSLP would be made ineligible.

State	Percentage Change in dollars	$ Change (millions)	Children Made Ineligible for NSLP (thousands)	Potential Program Impact
Illinois	-4%	-$ 13	1,150	Cut exceeds size of SFSP.
Indiana	+ 3%	+$ 4	717	Grant increases, while two-thirds of meals served in NSLP would no longer be eligible for reimbursement.
Iowa	-32%	-$ 25	381	Cut exceeds size of SBP, CACFP, and SFSP; or more than 40 percent of NSLP. Three-quarters of children in NSLP would be made ineligible.
Kansas	-44%	-$ 42	324	Cut exceeds size of CACFP and SFSP; or more than 75 percent of NSLP. Two-thirds of children in NSLP would be made ineligible.
Kentucky	-22%	-$ 33	386	Cut exceeds size of SBP and SFSP.
Louisiana	-37%	-$ 91	328	Cut exceeds size of SBP, CACFP, and SFSP; or more than 50 percent of NSLP.
Maine	-2%	-$ 1	145	Three-quarters of children in NSLP would be made ineligible.
Maryland	-28%	-$ 31	547	Cut exceeds size of CACFP and SFSP; or more than 40 percent of NSLP. More than two-thirds of children in NSLP would be made ineligible.
Massachusetts	-16%	-$ 22	635	Cut exceeds size of SBP and SFSP. Almost three-quarters of children in NSLP would be made ineligible.
Michigan	+3%	+$ 6	1,150	While grant increases, almost 1.2 million or more than two-thirds of children in NSLP would be made ineligible.

State	Percentage Change in dollars	$ Change (millions)	Children Made Ineligible for NSLP (thousands)	Potential Program Impact
Minnesota	-38%	-$ 60	584	Cut almost equals size of CACFP; or SBP and SFSP; or more than 70 percent of NSLP. Almost three-quarters of children in NSLP would be made ineligible.
Mississippi	-29%	-$ 49	196	Cut almost equals size of SBP and CACFP; or exceeds size of SBP and SFSP. Almost three-quarters of children in NSLP would be made ineligible.
Missouri	-2%	-$ 2	596	Two-thirds of children in NSLP would be made ineligible.
Montana	+3%	+$ 1	98	While grant increases, almost two-thirds of children in NSLP would be made ineligible.
Nebraska	-44%	-$ 27	210	Cut exceeds size of SBP, CACFP, and SFSP; or more than 75 percent of NSLP. Almost three-quarters of children in NSLP would be made ineligible.
Nevada	+14%	+$ 4	138	While grant increases, almost three-quarters of children in NSLP would be made ineligible.
New Hampshire	+ .3%	+$ .5	154	While grant increases, more than four-fifths of children in NSLP would be made ineligible.
New Jersey	-10%	-$ 15	983	Cut exceeds size of SBP. Almost three-quarters of children in NSLP would be made ineligible.
New Mexico	-27%	-$ 24	149	Cut almost equals size of CACFP; or exceeds size of SBP and SFSP; or equals 50 percent of NSLP.
New York	- 9%	-$ 53	1,620	Cut exceeds size of SFSP; or more than two-thirds of SBP; or one-half of CACFP.
North Carolina	-27%	-$ 64	700	Cut exceeds size of SBP and CACFP.

State	Percentage Change in dollars	$ Change (millions)	Children Made Ineligible for NSLP (thousands)	Potential Program Impact
North Dakota	-44%	-$ 12	88	Cut exceeds size of CACFP; or SBP and SFSP; or more than 80 percent of NSLP.
Ohio	-2%	-$ 5	1,280	Almost three-quarters of children in NSLP would be made ineligible.
Oklahoma	-21%	-$ 26	347	Cut exceeds size of CACFP; or SBP and SFSP. Two-thirds of children in NSLP would be made ineligible.
Oregon	-12%	-$ 9	322	Cut equals more than one-half of CACFP. More than two-thirds of children in NSLP would be made ineligible.
Pennsylvania	+14%	+$ 37	1,210	While grant increases, more than two-thirds of children in NSLP would be made ineligible.
Puerto Rico	+100%	+$170	348	While size of grant doubles, almost one-half of children in NSLP would be made ineligible.
Rhode Island	- 9%	-$ 2	97	Cut exceeds size of SBP or SFSP. More than two-thirds of children in NSLP would be made ineligible.
South Carolina	-28%	-$ 43	343	Cut exceeds size of SBP and CACFP.
South Dakota	-36%	-$ 11	90	Cut exceeds size of SBP and CACFP; or more than 50 percent of NSLP.
Tennessee	-11%	-$ 19	535	Cut almost equals size of CACFP.
Texas	-31%	-$245	1,890	Cut exceeds size of SBP and CACFP; or more than 40 percent of NSLP.
Utah	-27%	-$ 20	42	Cut equals 45 percent of NSLP.

State	Percentage Change in dollars	$ Change (millions)	Children Made Ineligible for NSLP (thousands)	Potential Program Impact
Vermont	-12%	-$ 2	76	Cut exceeds size of SBP and SFSP. Three-quarters of children in NSLP would be made ineligible.
Virginia	-23%	-$ 36	693	Cut exceeds size of CACFP and SFSP. More than two-thirds of children in NSLP would be made ineligible.
Washington	-35%	-$ 47	652	Cut exceeds size of CACFP and SFSP, or more than 50 percent of NSLP. More than two-thirds of children in NSLP would be made ineligible.
West Virginia	-5%	-$ 3	185	Cut exceeds size of SFSP.
Wisconsin	-21%	-$ 24	629	Cut exceeds size of CACFP; or SBP and SFSP. Three-quarters of children in NSLP would be made ineligible.
Wyoming	-24%	-$ 4	72	Cut equals size of SBP and SFSP. Three-quarters of children in NSLP would be made ineligible.
U.S. Totals	**-14%**	**-$1,188**	**27,406**	

Notes: These estimates assume States spend no more than the 20 percent minimum level established in the Personal Responsibility Act. The dollar change in funding represents the difference between 20 percent of each State's block grant and the current service estimate, excluding administrative costs.

The estimates of children made ineligible for the NSLP assume all children not approved for free and reduced-price meals (who must have incomes below 185 percent of poverty) would be ineligible. This assumption is conservative, since proposed law would set a lower maximum income level -- between 140 percent and 170 percent of poverty, depending on region and urbanicity.

This table assumes that Congress appropriates the full amount authorized in fiscal year 1996.

all children, including free or reduced price meals to low-income students.

The proposal would prohibit serving subsidized meals to children from households with incomes above the Lower Living Standard Income Level, which ranges from about 140 to 170 percent of the poverty level. At a minimum, this would make ineligible the 27 million children currently eligible for paid meal subsidies (children above 185 percent of poverty). In some States, as many as three-fourths of the currently eligible children would not be eligible for a subsidy under the proposed law. This raises the possibility that many currently participating schools and institutions, and even some States in their entirety, would no longer find school-based programs economically viable.

Although WIC would fare better than other food assistance programs under the proposed block grant, some women, infants, and children eligible for benefits now would lose their eligibility. The Personal Responsibility Act would limit eligibility to individuals with incomes below the Lower Living Standard Income Level; current WIC income eligibility limits are more generous. Approximately 1 to 3 million women, infants, and children would become ineligible -- a reduction of 9 to 23 percent.

Although initially some States gain funding, over time all States would fare worse than under current law. The redistribution of funds to States results in some States gaining substantial amounts of federal funds initially. However, over time, even these gains will erode because the block grant eliminates the automatic funding adjustments built into the existing Food Stamp and Child Nutrition programs.

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Appendix A: USDA Food Assistance Programs

USDA's Food and Consumer Service is charged with providing access to a healthful diet to needy Americans through its 15 food assistance programs and nutrition education efforts. USDA works in partnership with the States in all its programs.

Food Stamp Program

The Food Stamp Program is the cornerstone of the USDA food assistance programs. Initiated as a pilot program in 1961 and made permanent in 1964, the program issues monthly allotments of coupons that are redeemable at retail food stores, or provides benefits through electronic benefits transfer (EBT).

Eligibility and benefits are based on household size, income, assets, and other factors. The amount of the maximum food stamp benefit is linked to the value of the Thrifty Food Plan and provides eligible households with the resources to purchase a low-cost, nutritious diet.

The Food Stamp Program provides assistance to essentially all financially needy households without imposing nonfinancial categorical criteria on such things as household composition. In summer 1993, over half of all food stamp participants were children, most of whom lived in single-parent families. Households containing elderly persons represented about 16 percent of all food stamp households. Almost 21 percent of food stamp households had earned income.

The Food Stamp Program served an average of more than 27 million people each month in FY 1994. Average monthly benefits were $69.00 per person. Congress appropriated $27.7 billion for the Food Stamp Program for FY 1995.

The federal government pays for the benefits issued through the Food Stamp Program and shares with the States the cost of administrative expenses.

Special Supplemental Nutrition Program for Women, Infants and Children (WIC)

WIC's goal is to improve the health of low-income pregnant, breastfeeding and non-breastfeeding postpartum women, infants, and children up to 5 years old. WIC provides supplemental foods, nutrition education, and access to health services. Participants receive vouchers that can be redeemed at retail food stores for specific foods that are rich sources of the nutrients frequently lacking in the diet of low-income mothers and children.

WIC has been shown to be effective in improving the health of pregnant women, new mothers, and their infants. A study done for FCS in 1990 showed that women who participated in the program during their pregnancies had lower Medicaid costs for themselves and their babies than did women who did not participate. In the five States studied, savings in Medicaid dollars ranged from $1.77 to $3.13 for each dollar spent in prenatal WIC benefits.

The FY 1995 appropriation, at $3.5 billion, takes the program one step closer to full funding. The 1995 appropriation will allow WIC to serve 7 million people.

National School Lunch Program

Every school day, more than 25 million children in 93,000 schools across the country eat a lunch provided through the National School Lunch Program. More than half of these children receive the meal free or at a reduced price.

The NSLP provides cash reimbursements and commodity foods for meals served in non-profit food services in elementary and secondary schools, and in residential child care institutions.

Congress appropriated $4.2 billion for the National School Lunch Program for FY 1995, down from $4.3 billion in 1994. Carried-over funds from 1994 and commodity support from other USDA accounts are expected to lead to total program spending of $4.8 billion.

School Breakfast Program

Some 5.8 million children participated in the School Breakfast Program every day in fiscal year 1994. As in the school lunch program, low-income children may qualify to receive school breakfast free or at a reduced price, and States are reimbursed according to the number of meals served in each category.

Congress appropriated $1.1 billion for the School Breakfast Program for FY 1995, up from $980.4 million for 1994.

Summer Food Service Program

In 1994, more than 2 million low-income children received meals during school vacation periods through the Summer Food Service Program. All SFSP meals are served free, and the federal government reimburses local sponsoring organizations for meals served.

Congress appropriated $255 million for SFSP for FY 1995.

The Emergency Food Assistance Program (TEFAP)

Formerly known as the Temporary Emergency Food Assistance Program, TEFAP was initiated in 1981 to reduce inventories and storage costs of surplus commodities through distribution to needy households. While some surplus food is still distributed through TEFAP, Congress since 1989 has appropriated funds to purchase additional commodities for households.

Congress appropriated $65 million for TEFAP in FY 1995, down from $120 million in 1994. The 1995 appropriation provides $25 million to purchase food and $40 million to provide continued administrative funding to keep TEFAP's pipeline open and to help support the local agencies that distribute TEFAP foods. They will continue to receive "bonus" commodities purchased from agricultural surplus.

Child and Adult Care Food Program

This program provides cash reimbursements and commodity foods for meals served in child and adult day care centers, and family and group day care homes for children.

Some 2 million children and 38,000 adults participated in the program in 1994. Congress appropriated $1.5 billion for the Child and Adult Care Food Program for FY 1995; the 1994 appropriation was $1.6 billion.

The WIC Farmers Market Nutrition Program

The newest FCS Program, FMNP was established in 1992 to provide WIC participants with increased access to fresh produce. WIC participants are given coupons to purchase fresh fruits and vegetables at authorized local farmers markets. The program is funded through a legislatively mandated set-aside in the WIC program appropriation. Congress appropriated $5.5 million for the program in 1995, the same as for 1994.

Commodity Supplemental Food Program

A direct food distribution program with a target population similar to WIC, CSFP also serves the elderly. As in WIC, food packages are tailored to the nutritional needs of participants. Average monthly CSFP participation in FY 1994 was more than 363,000 people. Congress appropriated $84.5 million in CSFP for FY 1995, down from $104.5 million in FY 1994

Special Milk Program

Children in schools, summer camps and child care institutions that have no federally-supported meal program receive milk through the Special Milk Program. In 1994, more than 150 million half-pints of milk were served through SMP. Congress appropriated $18.1 million for the program in FY 1995, down from $20.3 million for FY 1994.

Food Distribution Program on Indian Reservations and the Trust Territories

This program provides commodity foods to Native American families who live on or near Indian reservations, and to Pacific Islanders. Also known as the Needy Family Program, this is the oldest FCS Program, going back to the Great Depression of the 1930's.

An average of more than 116,000 people participated in the program each month in FY 1994. A decline in participation and a large inventory of food on hand led to a reduction in funding needed for this program in 1994. Congress appropriated $68.6 million in FY 1994, down from $81.6 million in 1993. The 1995 appropriation is $33.2 million, but large on-hand inventories of food will allow the program to continue to meet the needs of all eligible households.

Nutrition Program for the Elderly

Provides cash and commodity foods to States for meals for senior citizens. Food is served in senior citizen centers or delivered by meals-on-wheels programs. The Nutrition Program for the Elderly served an average of more than 936,000 meals every day in fiscal year 1994. Congress appropriated $150 million for NPE in FY 1995, the same as for 1994.

Commodity Distribution to Charitable Institutions and to Soup Kitchens and Food Banks

Commodities from USDA surplus stocks are provided as available to non-profit charitable institutions that serve meals to needy persons regularly. In addition to surplus food, Congress appropriated $40 million to purchase food for soup kitchens and food banks for FY 1995, the same as for 1994.

Nutrition Assistance Program (Puerto Rico and the Northern Marianas)

The Food Stamp Program in Puerto Rico and the Northern Marianas was replaced in 1982 by a block grant program. The two territories now provide cash and coupons to participants rather than food stamps or commodity foods. Congress appropriated $1.143 billion for the 1995 Puerto Rico NAP block grant, up from $1.091 billion for FY 1994. For the Northern Marianas, funding has held steady at $3.7 million each year.

Appendix B: Economic Analysis

The economic impacts from food assistance program reform depend on the operation of the new program, how food stamp recipients respond to change, and how the savings in government expenditures are used. In order to fully document the range of possible outcomes, the analysis reported here distinguishes a comprehensive set of scenarios by type of program modifications, recipient response, and deficit impact. In all scenarios there is a $5 billion reduction in federal outlays for food assistance programs.

Assumptions regarding recipient response and impacts of program modification are of central importance to the entire analysis.

Recipients respond to food assistance by increasing food available to household members. However, they may also increase spending for nonfood items using some of the budget resources that, in the absence of food assistance, would have been required to provide needed food. This implies that food assistance may not result in dollar for dollar increases in food retail sales. The extent to which retail food spending increases with every dollar of food assistance received is referred to as the "supplementation effect."

The impact of program modifications is referred to as the "slippage effect." Slippage occurs when program regulations are changed to remove nutrition standards or restrictions regarding the form and use of food assistance transfers. For this analysis, the slippage effect gives the amount by which retail food spending will decrease when the same level of assistance is provided as cash rather than as targeted assistance under a particular program structure.

There is a substantial body of research on the responsiveness of food spending to changes in food stamp benefit levels. This research suggests that every dollar in food stamps going to poor households results in a supplementation effect of 20 to 45 cents. Although there is less research on the supplementation effect of other forms of food benefits, similar effects can be anticipated. The high and low estimates presented in Table B-1 represent the best judgments of program experts at USDA's Food and Consumer Service (FCS).

Research also suggests that program impacts on retail food sales vary with the form of benefits (e.g. whether assistance is provided as meals, food commodities, food stamps, or cash). There is uncertainty as to how states would choose to implement their block grants. However, if all food assistance were converted to cash, recent research on cash-out of the Food Stamp Program suggests that the conversion could result in a "slippage effect" of anywhere from 15 to 30 cents. Table B-1 provides FCS's expert opinion on reasonable ranges for these slippage effects for the principal FCS programs. As can be seen in that table, the average supplementation effects range from .15 to .42 and slippage effects from .1 to .24 for projected FY 96 federal spending on food assistance benefits and administrative costs.

These data were used to delimit five scenarios that differ with respect to recipient response and program modification impact. Two levels of supplementation (a low of SUPPL=.15 and a high of SUPPL=.35) and three levels of slippage (a zero level, SLIP=0, a low level of SLIP = .10, and a high level of SLIP=.25) were assumed. These assumptions resulted in the following five initial scenarios analyzed by the Economic Research Service (ERS):

Scenario I:	SUPPL = .15, SLIP = .00;
Scenario II:	SUPPL = .35, SLIP = .00;
Scenario III:	SUPPL = .15, SLIP = .10;
Scenario IV:	SUPPL = .35, SLIP = .10;
Scenario V:	SUPPL = .35, SLIP = .25.

The assumption of no slippage is appropriate for analyzing the possible impacts of funding cuts that do not involve any changes in current program structure. Correspondingly, the high slippage assumption is appropriate for considering impacts of a complete removal of nutrition standards and unilateral cash-out of all food assistance. (There is no combination of low supplementation and high slippage, because this would imply an overall negative impact of cash food assistance transfers.)

Direct Impacts on Food Retail Spending

Direct impacts of federal funding cuts and conversion of food assistance can be derived from supplementation and slippage assumptions as shown below:

Direct impact on food retail spending =
SUPPL x change in federal funding +
SLIP x amount of food assistance
converted to cash

Direct impacts on food retail spending for the five scenarios are as follows: Scenario I, $.75 billion; Scenario II, $1.75 billion; Scenario III, $4.25 billion; Scenario IV, $5.25 billion; and Scenario V, $10.5 billion.

Farm-Level Impacts

To estimate farm-level effects, ERS distributed the estimated direct impacts on food spending for the five scenarios among key agricultural commodities based on food spending patterns of low-income households. (See Table B-2).

It also closely examined the implications of commodity support and surplus removal policies currently in place. USDA provides two types of commodity support to food assistance programs in addition to cash assistance: entitlement commodities and bonus commodities. Entitlement commodities are required by current laws. For example, schools participating in the NSLP are entitled to receive 14.5 cents worth of commodities for each USDA meal served in fiscal year 1995. In addition to entitlement commodities, when supplies permit, NSLP and other assistance programs can receive bonus commodities obtained through price support (Section 416, CCC) and surplus removal (Section 32) activities.

To assess the impact of revisions in commodity donation activity, ERS made several key assumptions. At the outset, it was assumed that states would not use their block grant funds to replace any of the lost USDA donated bonus commodities resulting in pound for pound reductions in market demand for those commodities. Secondly, the removal of the mandatory milk requirement in the NSLP was projected to reduce fluid milk sales for school use to somewhere in the range of 25 to 75 percent. Finally, alternative assumptions were made in peanut demand to account for the loss of Section 32 purchases.

The farm price, income and program cost impacts of a $5 billion reduction in food assistance are shown for each of the five scenarios in Table B-3. Without a slippage effect (Scenarios I and II), impacts on the farm sector are relatively minor. However, impacts are magnified when food program structures are changed and slippage occurs (Scenarios III, IV and V).

Economy-Wide Impacts

Economy-wide output and employment impacts were estimated using simulation models. These models include a short-run, input-output model and a long-run, computable-general-equilibrium model that account for multiple layers of linkages among sectors in the U.S. economy. For the short-run model, output and consumption are allowed to decline in response to declines in food demand caused by cutbacks in federal food assistance spending. The long-run model simulates the adjustments that would occur in two to three years if prices and wages were allowed to adjust in order to restore full employment and readjust supply and demand for other goods and services.

The economy-wide impacts on output and jobs of the five scenarios are shown in Tables B-4 and B-5. In addition to differences in supplementation and slippage rates, these impacts also depend, in the long run, on how the deficit is managed in response to changes in federal food assistance spending. Two adjustment possibilities are compared. First, the reduction in government expenditures are used to reduce the federal budget deficit thereby reducing government borrowing and increasing funds available for investment by the private sector (savings-investment regime). Second, the reduction in government expenditures are used to offset a household income tax reduction, leaving the budget deficit unchanged (tax-reduction regime).

Compared to the short run, these two long-run scenarios return but redistribute the $5 billion reduction in food program expenditures back into the economy thereby increasing demand for goods and services.

The following points can be noted from Tables B-4 and B-5:

- In both the short and long run, the farm and food-related sectors lose more when food assistance is folded into block grants and converted to a cash transfer. The losses increase with the assumed slippage effect.

- Under current program status (i.e. with zero slippage) long-run impacts are not large. Farm sector output losses are $70 million to 170 million. Nonfarm food sector losses are $400 million to $900 million.

- With food assistance programs (less $5 billion) converted to a block grant and turned into a cash transfer (Scenarios III - V) there is a noticeable impact on the farm and food sectors, even in the long run. Farm sector losses are $1 billion to $2.7 billion. Nonfarm food sector losses are $3 billion to $9 billion increasing with slippage.

- The two long-run scenarios differ in the type of goods and services for which demand increases. With deficit reduction and new investment (savings-investment regime) demand for durable goods and construction increases. In both long-run scenarios, the jobs lost in the short run are regained in the long run and there is a permanent redistribution of employment with jobs moving out of the farm and food sectors.

- The impact on total output (food plus nonfood) varies with how the reduced government expenditures are returned to the economy. A $1.24 billion increase in total output occurs with deficit reduction (Scenario II) primarily as a result of labor moving out of service sector jobs into jobs with greater productivity (construction and durable goods). These gains disappear with a tax reduction since household income and demand increases rather than investment. With program conversion and slippage effects (Scenarios III-V), demand shifts from food to nonfood goods and services, increasing the negative impacts on the farm and food sectors and reducing the negative impact on services. The result is a reduction in total output for the economy.

Regional Impacts

State and urban/rural data from the 1990 County Business Patterns (U.S. Department of Commerce) were used to estimate regional and State level employment and output impacts. Regional employment shares by industry (Table B-6) were used to distribute the changes in output and employment among the State and urban and rural regions. Estimates were made for three short-run scenarios: zero slippage; low slippage (.10) and high slippage (.35). Similarly three long-run scenarios were analyzed for each of the deficit regimes. (A single supplementation rate of .26 was used in all regional analyses.) Results of the regional analysis are summarized in Tables B-7 to B-9.

Some points to note from these tables are as follows:

- o Nonmetropolitan employment accounts for 16.6 percent of total employment.

- o For the three short-run scenarios, output losses range from $7.4 billion to $8.8 billion in metropolitan areas and from $1.7 billion to $5.2 billion in nonmetropolitan areas. Job losses range from 84,000 to 99,000 in metropolitan areas and from 22,000 to 55,000 in nonmetropolitan areas.

- o The nonmetropolitan areas of the North Central and Plains States are the most heavily impacted areas.

- o Long-run impacts reduce most of the output and job losses, but result in permanent job losses of larger magnitudes in the North Central and Plains regions.

Table B-1 -- Food Spending Effects of Food Assistance Supplementation and Block Grant Slippage

Program	Federal Food Assistance Spending		Supplementation Effect		Slippage Effect	
	$ million	%	Low	High	Low	High
Food Stamps	24,745	60.7	.20	.45	.15	.30
Child Nutrition	8,321	20.4	.00	.40	.00	.10
WIC	2,908	7.1	.20	.45	.15	.30
All Other	1,420	3.5	.45	1.00	.05	.40
Administration	3,370	8.3	.00	.00	.00	.00
TOTAL	40,764	100.0	.15	.42	.10	.24

Table B-2 -- Direct Impacts of Alternative Food Assistance Reform Scenarios on Food and Nonfood Spending
(Dollars in millions)

Food Group	Food Budget Share	Reduction in spending				
		Scenario				
	%	I	II	III	IV	V
Total	**NA**	**5,000**	**5,000**	**5,000**	**5,000**	**5,000**
Nonfood	**NA**	**4,250**	**3,250**	**750**	**-250**	**-5,501**
Food	**100.00**	**750**	**1,750**	**4,250**	**5,250**	**10,501**
Dairy products	**14.12**	**106**	**247**	**600**	**741**	**1,482**
Fluid milk	6.23	47	109	265	327	654
Cheese	3.75	28	66	159	197	394
Butter	1.04	8	18	44	55	110
Other	3.10	23	54	132	163	325
Grain products	**15.27**	**115**	**267**	**649**	**802**	**1,604**
Meat, poultry, and seafood	**33.79**	**253**	**591**	**1,436**	**1,774**	**3,548**
Beef	13.71	103	240	583	720	1,439
Pork	8.52	64	149	362	447	894
Other	0.96	7	17	41	50	100
Poultry	6.54	49	114	278	343	687
Fish and seafood	4.07	31	71	173	214	427
Eggs	**1.54**	**12**	**27**	**66**	**81**	**162**
Sugars and sweets	**4.02**	**30**	**70**	**171**	**211**	**422**
White and brown sugars	1.71	13	30	73	90	179
Other	2.31	17	40	98	121	242
Potatoes	**2.34**	**18**	**41**	**99**	**123**	**245**
Fresh potatoes	1.16	9	20	49	61	122
Canned potatoes	0.08	1	1	3	4	8
Frozen potatoes	0.21	2	4	9	11	22
Other potatoes	0.89	7	16	38	47	94
Vegetables	**9.40**	**70**	**164**	**399**	**493**	**987**
Fresh vegetables	6.02	45	105	256	316	633
Canned vegetables	2.17	16	38	92	114	228
Frozen vegetables	0.86	6	15	37	45	90
Other vegetables	0.34	3	6	15	18	36
Fruit	**6.51**	**49**	**114**	**277**	**342**	**683**
Fresh fruit	5.65	42	99	240	297	593
Canned fruit	0.66	5	12	28	35	69
Frozen fruit	0.05	0	1	2	3	5
Other fruit	0.15	1	3	6	8	16
Nuts	**1.15**	**9**	**20**	**49**	**60**	**121**
Peanuts	0.86	6	15	37	45	90
Other	0.29	2	5	12	15	30
Fats and Oils	**1.60**	**12**	**28**	**68**	**84**	**168**
Shortening	0.33	2	6	14	17	35
Salad and cooking	0.46	3	8	20	24	48
Salad dressing	0.81	6	14	34	43	85
Other foods	10.28	77	180	437	540	1,079

Note: Negative numbers in this table denote an increase in expenditures.

Table B-3 -- Direct Impacts on Agriculture of Alternative Food Assistance Reform Scenarios: Farm Price, Farm Income, and Farm Program Costs

Commodity	Scenario				
	I	II	III	IV	V
Potatoes					
Farm price ($/cwt)	*	-0.01	-.02	-.02	-.05
Farm income($mil.)	-4	-10	-25	-30	-61
Farm income (%)	-.2	-.4	-.9	-1.2	-2.3
Program Cost ($mil.)	0	0	0	0	0
Vegetables					
Farm price ($/cwt)	-.01	-.03	-.07	-.08	-.16
Farm income($mil.)	-24	-57	-138	-171	-341
Farm income (%)	-.3	-.6	-1.5	-1.8	-3.7
Program Cost ($mil.)	0	0	0	0	0
Fruits					
Farm price ($/ton)	-.3	-.7	-1.72	-2.12	-4.24
Farm income($mil.)	-19	-45	-109	-134	-268
Farm income (%)	-.2	-.5	-1.3	-1.6	-3.2
Program Cost ($mil.)	0	0	0	0	0
Tree nuts					
Farm price ($/cwt)	*	*	-0.01	-.01	-.01
Farm income($mil.)	-2	-4	-10	-12	-24
Farm income (%)	-.1	-.2	-0.6	-0.7	-1.4
Program Cost ($mil.)	0	0	0	0	0
Peanuts without loss of Sec. 32					
Farm price ($/ST)	0	0	0	0	-3
Farm income($mil.)	0	0	0	0	-6
Farm income (%)	0	0	0	0	0.6
Program Cost ($mil.)	1	2	4	8	14
Peanuts with loss of Sec. 32					
Farm price ($/ST)	-10	-10	-10	-10	-13
Farm income($mil.)	-20	-20	-20	-20	-26
Farm income (%)	-2.0	-2.0	-2.0	-2.0	-3.0
Program Cost ($mil.)	24	25	27	31	37
Grain and soybeans					
Farm price ($/MT)	-.20	-.40	-.80	-.98	-1.97
Farm income($mil.)	-20	-40	-80	-100	-200
Farm income (%)	*	-.1	-.3	-.3	-.7
Program Cost ($mil.)	25	50	100	125	250
Beef					
Farm price ($/cwt)	-.39	-.64	-1.25	-1.60	-2.77
Farm income($mil.)	-58	-134	-327	-404	-808
Farm income (%)	-.3	-.6	-1.4	-1.7	-3.5
Program Cost ($mil.)	0	0	0	0	0
Pork					
Farm price ($/cwt)	-.15	-.35	-.85	-1.05	-2.10
Farm income($mil.)	-24	-55	-134	-166	-331
Farm income (%)	-.04	-.1	-.2	-.3	-.6
Program Cost ($mil.)	0	0	0	0	0

Commodity	Scenario				
	I	II	III	IV	V
Broilers					
Farm price ($/cwt)	-.18	-.42	-1.01	-1.25	-2.50
Farm income($mil.)	-20	-46	-111	-137	-275
Farm income (%)	-.3	-.7	-1.6	-2.0	-4.0
Program Cost ($mil.)	0	0	0	0	0
Turkeys					
Farm price ($/cwt)	-.13	-.31	-.75	-.93	-1.86
Farm income($mil.)	-5	-12	-29	-36	-73
Farm income (%)	-.6	-1.4	-3.3	-4.0	-8.1
Program Cost ($mil.)	0	0	0	0	0
Dairy (no NSLP loss)					
Farm price ($/cwt)	-.01	-.02	-.05	-0.07	-.13
Farm income($mil.)	-25	-54	-122	-159	-315
Farm income (%)	-.1	-.3	-.6	-.8	-1.5
Program Cost ($mil.)	13	31	80	95	191
Dairy (25% NSLP loss)					
Farm price ($/cwt)	-.04	-.05	-.08	-.09	-.16
Farm income($mil.)	-90	-120	-194	-224	-380
Farm income (%)	-.4	-.6	-1.0	-1.1	-1.9
Program Cost ($mil.)	50	68	114	132 *	228
Dairy (75% NSLP loss)					
Farm price ($/cwt)	-.09	-.11	-.14	-.15	-.22
Farm income($mil.)	-220	-250	-324	-354	-501
Farm income (%)	-1.1	-1.2	-1.6	-1.7	-2.4
Program Cost ($mil.)	124	142	188	206	302

* less than 0.005.

Notes: Farm income is gross. There is no measurable impact on seafood.

Table B-4 -- Alternative Scenarios -- Changes in Output

SECTOR:	OUTPUT 1993 BASE RUN ($Billions)	SHORT-RUN CHANGES IN OUTPUT ($Billions) SCENARIOS:				
		I	II	III	IV	V
FOOD:	880	-1.19	-2.77	-6.46	-8.07	-15.88
FARM PRODUCTS	180	-0.25	-0.58	-1.59	-2.00	-3.95
FOOD PROCESSING	330	-0.53	-1.23	-3.57	-4.48	-8.92
TRADE&TRANS-FOOD	110	-0.18	-0.42	-1.22	-1.53	-3.04
RESTAURANT	260	-0.23	-0.53	-0.08	-0.07	0.03
NONFOOD:	8160	-8.15	-6.23	-4.15	-3.28	1.86
NON-DURABLE MFG	490	-0.72	-0.55	-0.43	-0.42	-0.15
DURABLE MFG	2000	-1.81	-1.38	-1.12	-1.10	-0.50
CONSTRUCTION	610	-0.17	-0.13	-0.10	-0.09	-0.02
TRADE&TRANS-OTHER	1140	-1.05	-0.80	-0.75	-0.28	0.88
SERVICES	3930	-4.40	-3.36	-1.76	-1.39	1.65
TOTAL	9040	-9.34	-9.00	-10.61	-11.34	-14.02
SECTOR:	OUTPUT 1993 BASE RUN ($Billions)	LONG-RUN CHANGES IN OUTPUT IN A DEFICIT-REDUCTION REGIME ($Billions) SCENARIOS:				
		I	II	III	IV	V
FOOD:	880	-0.46	-1.08	-4.00	-5.07	-11.64
FARM PRODUCTS	180	-0.07	-0.17	-0.92	-1.15	-2.68
FOOD PROCESSING	330	-0.19	-0.44	-2.38	-2.99	-6.93
TRADE&TRANS-FOOD	110	-0.06	-0.15	-0.81	-1.02	-2.36
RESTAURANT	260	-0.14	-0.33	0.12	0.10	0.33
NONFOOD:	8160	3.04	2.32	4.95	4.32	8.31
NON-DURABLE MFG	490	-0.16	-0.12	0.03	0.03	0.29
DURABLE MFG	2000	2.51	1.92	2.22	2.19	1.99
CONSTRUCTION	610	2.17	1.66	1.94	1.78	1.70
TRADE&TRANS-OTHER	1140	0.18	0.14	0.66	0.25	1.67
SERVICES	3930	-1.66	-1.27	0.09	0.07	2.67
TOTAL	9040	2.57	1.24	0.95	-0.75	-3.32
SECTOR:	OUTPUT 1993 BASE RUN ($Billions)	LONG-RUN CHANGES IN OUTPUT IN A TAX-REDUCTION REGIME ($Billions) SCENARIOS:				
		I	II	III	IV	V
FOOD:	880	-0.23	-0.53	-3.71	-4.78	-11.35
FARM PRODUCTS	180	-0.04	-0.10	-0.89	-1.12	-2.65
FOOD PROCESSING	330	-0.11	-0.27	-2.32	-2.91	-6.85
TRADE&TRANS-FOOD	110	-0.04	-0.09	-0.79	-0.99	-2.33
RESTAURANT	260	-0.03	-0.08	0.29	0.24	0.48
NONFOOD:	8160	0.51	0.39	2.83	1.99	6.08
NON-DURABLE MFG	490	0.00	0.00	0.19	0.18	0.44
DURABLE MFG	2000	0.23	0.18	0.11	0.11	-0.10
CONSTRUCTION	610	0.17	0.13	0.01	0.01	-0.15
TRADE&TRANS-OTHER	1140	0.18	0.14	0.73	0.27	1.71
SERVICES	3930	-0.08	-0.06	1.80	1.42	4.18
TOTAL	9040	0.28	-0.15	-0.88	-2.79	

Table B-5 -- Alternative Scenarios -- Changes in Jobs

SECTORS:	JOBS 1993 BASE RUN (1000s)	SHORT RUN CHANGES IN JOBS (in 1000s) SCENARIOS:				
		I	II	III	IV	V
FOOD:	14500	-17.6	-41.1	-73.4	-91.0	-176.2
FARM PRODUCTS	2600	-3.6	-8.3	-22.8	-28.5	-56.4
FOOD PROCESSING	1700	-2.8	-6.6	-19.3	-24.3	-48.4
TRADE&TRANS-FOOD	2700	-4.3	-10.0	-28.9	-36.2	-72.2
RESTAURANT	7700	-6.9	-16.2	-2.4	-2.0	0.8
NON-FOOD:	112900	-103.2	-78.9	-53.1	-38.0	37.8
NON-DURABLE MFG	4700	-7.3	-5.6	-4.0	-3.9	-0.6
DURABLE MFG	14700	-11.7	-8.9	-7.6	-7.5	-4.2
CONSTRUCTION	6600	-1.9	-1.4	-1.1	-1.0	-0.2
TRADE&TRANS-OTHER	24600	-23.1	-17.7	-15.1	-5.7	23.7
SERVICES	62100	-59.2	-45.3	-25.3	-20.0	19.1
TOTAL	127500	-120.8	-120.0	-126.5	-129.0	-138.5

SECTOR:	JOBS 1993 BASE RUN (1000s)	LONG-RUN CHANGES IN JOBS IN A DEFICIT-REDUCTION REGIME (1000s) SCENARIOS:				
		I	II	III	IV	V
FOOD:	14500	-8.5	-19.8	-43.3	-56.1	-128.0
FARM PRODUCTS	2600	-1.3	-3.1	-15.5	-19.4	-45.3
FOOD PROCESSING	1700	-1.3	-2.9	-12.6	-15.8	-36.3
TRADE&TRANS-FOOD	2700	-1.6	-3.6	-19.3	-24.2	-56.1
RESTAURANT	7700	-4.3	-10.1	4.0	3.2	9.7
NON-FOOD:	112900	8.5	19.8	43.3	56.1	128.0
NON-DURABLE MFG	4700	-2.4	-1.8	0.5	0.7	2.1
DURABLE MFG	14700	21.0	20.0	14.6	24.2	15.4
CONSTRUCTION	6600	22.6	21.6	15.1	23.1	17.5
TRADE&TRANS-OTHER	24600	0.1	5.3	13.6	8.6	67.2
SERVICES	62100	-32.9	-25.2	-0.5	-0.5	25.8
TOTAL	127500	0.0	0.0	0.0	0.0	0.0

SECTOR:	JOBS 1993 BASE RUN (1000s)	LONG-RUN CHANGES IN JOBS IN A TAX-REDUCTION REGIME (1000s) SCENARIOS:				
		I	II	III	IV	V
FOOD:	14500	-3.3	-7.8	-36.0	-49.4	-118.3
FARM PRODUCTS	2600	-0.8	-1.8	-14.9	-18.6	-44.0
FOOD PROCESSING	1700	-0.6	-1.5	-11.9	-14.9	-35.2
TRADE&TRANS-FOOD	2700	-0.9	-2.2	-18.8	-23.6	-55.5
RESTAURANT	7700	-1.0	-2.4	9.5	7.7	16.4
NON-FOOD:	112900	3.3	7.8	36.0	49.4	118.4
NON-DURABLE MFG	4700	0.1	0.2	2.1	4.0	6.2
DURABLE MFG	14700	1.0	2.3	2.4	4.7	4.7
CONSTRUCTION	6600	0.9	2.1	0.7	1.2	0.6
TRADE&TRANS-OTHER	24600	2.2	5.2	9.7	7.1	41.7
SERVICES	62100	-0.8	-1.9	21.1	32.4	65.2
TOTAL	127500	0.0	0.0	0.0	0.0	0.0

Table B-6 --State Shares of Employment from 1990 County Business Patterns Data

State	Employment 1990 Thousands	Percent of National Total	Percent of State Metro	Percent of State Non-metro
Total	108520.134	100.0	83.4	16.6
Northeast	25511.366	23.5	91.5	8.5
Connecticut	1607.390	1.5	94.0	6.0
Delaware	333.393	0.3	80.1	19.9
Maine	515.492	0.5	47.7	52.3
Maryland	2192.595	2.0	93.7	6.3
Massachusetts	2995.674	2.8	98.5	1.5
New Hampshire	490.335	0.5	61.5	38.5
New Jersey	3498.746	3.2	100.0	0.0
New York	8079.248	7.4	93.2	6.8
Pennsylvania	5098.356	4.7	88.1	11.9
Rhode Island	443.775	0.4	91.3	8.7
Vermont	256.362	0.2	33.2	66.8
District of Columbia	671.722	0.6	100.0	0.0
North Central	23555.956	21.7	81.6	18.4
Illinois	5206.625	4.8	87.0	13.0
Indiana	2489.515	2.3	75.3	24.7
Iowa	1283.271	1.2	49.8	50.2
Michigan	3756.207	3.5	86.2	13.8
Minnesota	2090.975	1.9	73.9	26.1
Missouri	2303.535	2.1	75.6	24.4
Ohio	4142.737	3.8	96.4	3.6
Wisconsin	2283.091	2.1	72.5	27.5
Appalachian	10356.492	9.5	70.6	29.4
Kentucky	1481.866	1.4	56.1	43.9
North Carolina	3180.845	2.9	69.7	30.3
Tennessee	2160.932	2.0	73.4	26.6
Virginia	2947.015	2.7	81.2	18.8
West Virginia	585.834	0.5	48.8	51.2
Southeast	14899.591	13.7	77.5	22.5
Alabama	1655.662	1.5	71.9	28.1
Arkansas	927.182	0.9	52.1	47.9
Florida	5330.963	4.9	94.3	5.7
Georgia	2954.594	2.7	71.9	28.1
Louisiana	1539.059	1.4	80.3	19.7
Mississippi	935.530	0.9	35.9	64.1
South Carolina	1556.601	1.4	74.1	25.9
Plains	10498.828	9.7	78.1	21.9
Kansas	1156.991	1.1	58.6	41.4
Nebraska	792.719	0.7	55.8	44.2
North Dakota	197.527	0.2	69.9	30.1
Oklahoma	1183.115	1.1	67.8	32.2
South Dakota	300.430	0.3	34.9	65.1
Texas	6868.046	6.3	87.9	12.1
Mountain	5744.032	5.3	73.4	26.6
Arizona	1458.201	1.3	86.8	13.2
Colorado	1529.061	1.4	83.0	17.0
Idaho	406.514	0.4	31.2	68.8
Montana	300.384	0.3	28.1	71.9
Nevada	606.161	0.6	86.1	13.9
New Mexico	572.703	0.5	58.2	41.8
Utah	688.906	0.6	82.5	17.5
Wyoming	182.102	0.2	24.1	75.9
Pacific	17282.147	15.9	92.8	7.2
Alaska	228.146	0.2	50.8	49.2
California	13137.151	12.1	97.1	2.9
Hawaii	576.928	0.5	78.4	21.6
Oregon	1208.307	1.1	74.0	26.0
Washington	2131.615	2.0	85.4	14.6

Table B-7 -- Short-Run Estimates of Output and Job Losses by Region

REGION	CHANGES IN OUTPUT ($ Millions)			CHANGES IN JOBS (in 1000s)		
	Metro	Non-Metro	Total	Metro	Non-Metro	Total
ZERO SLIPPAGE ASSUMPTION						
Northeast	-1880	-174	-2053	-25.7	-2.4	-28.1
North Central	-1693	-429	-2122	-21.5	-5.3	-26.8
Appalachian	-615	-287	-902	-7.9	-3.6	-11.5
Southeast	-915	-305	-1220	-12.6	-3.8	-16.4
Plains	-736	-265	-1001	-8.9	-3.0	-11.9
Mountain	-323	-140	-463	-4.6	-1.9	-6.4
Pacific	-1250	-104	-1354	-17.2	-1.5	-18.7
TOTAL	-7447	-1704	-9151	-99.0	-21.5	-120.4
LOW SLIPPAGE ASSUMPTION						
Northeast	-1798	-242	-2039	-22.3	-2.9	-25.2
North Central	-1933	-877	-2810	-21.1	-9.4	-30.6
Appalachian	-654	-402	-1056	-7.7	-4.7	-12.4
Southeast	-975	-510	-1485	-12.0	-5.4	-17.4
Plains	-807	-587	-1395	-8.7	-6.1	-14.8
Mountain	-337	-252	-589	-4.2	-3.2	-7.4
Pacific	-1404	-215	-1618	-17.1	-2.8	-19.8
TOTAL	-7929	-3084	-11013	-93.4	-34.5	-127.9
HIGH SLIPPAGE ASSUMPTION						
Northeast	-1692	-349	-2042	-16.6	-3.6	-20.2
North Central	-2333	-1574	-3907	-20.4	-15.8	-36.2
Appalachian	-727	-585	-1312	-7.2	-6.5	-13.7
Southeast	-1077	-827	-1904	-11.0	-7.7	-18.7
Plains	-930	-1088	-2018	-8.3	-11.0	-19.3
Mountain	-367	-428	-795	-3.6	-5.2	-8.8
Pacific	-1661	-386	-2047	-16.9	-4.7	-21.6
TOTAL	-8787	-5237	-14024	-84.0	-54.5	-138.5

Note: The Zero Slippage estimates are an average of the results from Scenarios I and II.
The Low Slippage estimates are an average of the results from Scenarios III and IV.
The High Slippage estimates are the results from Scenario V.

Table B-8 -- Long-Run Estimates of Output and Job Losses by Region

Savings-Investment Regime

	CHANGES IN OUTPUT ($Millions)			CHANGES IN JOBS (in 1000s)		
	Metro	Nonmetro	Total	Metro	Nonmetro	Total
ZERO SLIPPAGE ASSUMPTION						
Northeast	58	35	93	-2.2	-0.2	-2.4
North Central	472	58	530	-0.4	-0.6	-0.9
Appalachian	110	45	154	-0.3	-0.3	-0.6
Southeast	194	45	238	-0.5	-0.2	-0.7
Plains	126	-5	121	-0.4	-0.5	-0.9
Mountain	78	6	84	-0.2	-0.3	-0.5
Pacific	363	3	366	0.2	-0.3	-0.1
TOTAL	1656	186	1842	-4.0	-2.3	-6.3
LOW SLIPPAGE ASSUMPTION						
Northeast	259	-26	-234	3.2	-0.3	2.9
North Central	191	-273	-83	2.4	-3.3	-1.0
Appalachian	72	-47	25	0.9	-0.8	0.0
Southeast	102	-118	-15	1.4	-1.0	0.4
Plains	18	-242	-224	0.8	-2.7	-1.9
Mountain	51	-77	-26	0.8	-1.1	-0.4
Pacific	175	-72	102	2.3	-1.1	1.2
TOTAL	870	-855	15	11.8	-10.4	1.4
HIGH SLIPPAGE ASSUMPTION						
Northeast	142	-135	8	12.8	-0.6	12.3
North Central	-339	-865	-1204	6.8	-8.4	-1.5
Appalachian	-6	-217	-223	2.9	-1.9	0.9
Southeast	-63	-407	-470	4.8	-2.6	2.2
Plains	-179	-662	-841	2.8	-6.5	-3.7
Mountain	-1	-225	-226	2.3	-2.6	-0.3
Pacific	-179	-206	-385	5.6	-2.6	3.0
TOTAL	-606	-2718	-3324	38.4	-25.1	13.3

Note: The Zero Slippage estimates are an average of the results from Scenarios I and II.
The Low Slippage estimates are an average of the results from Scenarios III and IV.
The High Slippage estimates are the results from Scenario V.

Table B-9 -- Long-Run Estimates of Output and Job Losses by Region

Tax Reduction Regime

REGION	CHANGES IN OUTPUT ($Millions) Metro	Nonmetro	Total	CHANGES IN JOBS (in 1000s) Metro	Nonmetro	Total
ZERO SLIPPAGE ASSUMPTION						
Northeast	28	-1	26	0.03	-0.04	-0.02
North Central	29	-17	12	0.02	-0.28	-0.28
Appalachian	-4	-2	-6	0.03	-0.05	-0.02
Southeast	11	-3	8	0.06	-0.03	0.02
Plains	1	-19	-18	0.00	-0.22	-0.22
Mountain	6	-6	0	0.05	-0.09	-0.04
Pacific	24	-4	20	0.14	-0.08	0.07
TOTAL	95	-52	43	0.31	-0.79	-0.47
LOW SLIPPAGE ASSUMPTION						
Northeast	-51	-65	-116	5.7	-0.1	5.6
North Central	-285	-361	-645	2.8	-3.1	-0.3
Appalachian	-49	-99	-148	1.2	-0.6	0.6
Southeast	-93	-172	-265	2.0	-0.9	1.2
Plains	-117	-262	-379	1.2	-2.4	-1.2
Mountain	-26	-91	-117	1.0	-0.9	0.1
Pacific	-188	-82	-270	2.2	-0.9	1.3
TOTAL	-797	-1132	-1929	16.5	-9.0	7.4
HIGH SLIPPAGE ASSUMPTION						
Northeast	-167	-174	-341	15.3	-0.4	14.9
North Central	-814	-952	-1767	7.3	-8.2	-0.9
Appalachian	-127	-268	-395	3.2	-1.7	1.5
Southeast	-258	-462	-720	5.4	-2.4	3.0
Plains	-313	-682	-996	3.2	-6.2	-3.0
Mountain	-78	-239	-317	2.5	-2.4	0.1
Pacific	-541	-216	-757	5.6	-2.5	3.1
TOTAL	-2273	-2994	-5267	43.1	-23.7	19.4

Note: The Zero Slippage estimates are an average of the results from Scenarios I and II.
The Low Slippage estimates are an average of the results from Scenarios III and IV.
The High Slippage estimates are the results from Scenario V.

Appendix C: The Lower Living Standard Income Levels

The Lower Living Standard Income Level is based on the lower living family budget issued by the Secretary of Labor in the fall of 1981 updated for price changes based on the Consumer Price Index (CPI). The lower living family budget is a measure of the total cost or amount of income required to achieve the level and manner of living implicit in a generalized concept of modest living. It does not represent the ways in which family incomes should be spent, or the ways average families actually spend their incomes. The lower budget assumes the family lives in rental housing without air conditioning, relies heavily on public transportation or uses an older car, performs more services for itself, and utilizes free recreation facilities.

The income levels are published annually, usually in March or April of each year. The Department of Labor publishes two sets of income levels. One set covers 25 Metropolitan Statistical Areas (MSA); the second set covers the entire country, broken into metropolitan and nonmetropolitan areas within each of four regions. Both sets vary by household size.

States may be covered by more than one income level. For example, New Jersey has four levels; the New York City MSA, the Philadelphia MSA, and the Northeast metropolitan and nonmetropolitan levels.

The lower living standard income levels are used to define economically disadvantaged individuals for job training services in the Job Training Partnership Act (JTPA) and in the Internal Revenue Code for the Targeted Jobs Tax Credit (TJTC). These programs use 70 percent of the lower living standard income levels for defining economically disadvantaged individuals.

The Department of Labor, on publishing the income levels in the Federal Register, includes a disclaimer that the lower living standard income levels should not be used for any statistical purpose and are valid only for eligibility determination purposes under the JTPA and TJTC programs. This notice stems from the termination of the family budget series which otherwise would periodically update the underlying budget, and the imprecise price adjustments since not all components of the underlying budget are captured in the CPI.

The four-person regional Lower Living Standard Income Levels vary from 142 percent to 173 percent of the four-person poverty income level:

	Level	Percent of Poverty
Poverty Guideline	$14,800	100%
Lower Living Standard		
Northeast		
Metropolitan	25,540	173
Non-metropolitan	25,450	172
North Central		
Metropolitan	23,480	159
Non-metropolitan	22,200	150
South		
Metropolitan	22,420	151
Non-metropolitan	21,080	142
West		
Metropolitan	25,220	170
Non-metropolitan	24,540	166