



Agriculture and Food Provisions in the 2009 Economic Stimulus Package

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Summary

The Obama Administration and many Members of Congress are calling for a new economic stimulus package to follow the Troubled Asset Relief Program (TARP) that was enacted in October 2008. The new package would boost government spending on various infrastructure programs and for certain government benefits programs. It also offers tax incentives and benefits for individuals and businesses. The initial proposal, H.R. 1, is an \$825 billion economic stimulus made up of two parts: \$550 billion in new government-wide spending and a \$275 billion tax package.

Agriculture programs, including nutrition assistance, rural development, and conservation, would receive about \$27 billion of the \$825 billion package (about 3.3%), as estimated by the Congressional Budget Office (CBO). Most of the amount for agriculture and food is nutrition assistance, at \$21 billion. Food stamp benefits represent the largest single increase and would rise 13.6% from current benefit levels in H.R. 1. Rural development programs would receive \$5.1 billion, including \$2.8 billion to deploy broadband technology in rural areas and \$1.5 billion for rural water and waste disposal projects. The U.S. Department of Agriculture's (USDA's) own infrastructure would benefit from facilities maintenance and computer improvements totaling nearly \$500 million. Conservation and watershed programs would receive \$400 million.

Agricultural and rural areas may benefit along with other areas and sectors of the economy from other provisions in the bill, such as tax benefits for individuals, health care, and bio-energy programs. However, these broader benefits are not specifically identified for rural areas or under the administration of USDA, and thus are not quantifiable at this point.

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Background on the Stimulus Package

Given the depth of the recession at the beginning of 2009, both the Obama Administration and many Members of Congress are calling for another economic stimulus package to follow the Troubled Asset Relief Program (TARP) that was enacted in October 2008 (P.L. 110-343, Emergency Economic Stabilization Act of 2008). The TARP was focused primarily on the recovery of financial institutions. The current stimulus proposal is focused on stimulating the economy via individual and business economic activity. The package boosts government spending on various infrastructure programs and for certain government benefits programs.¹ It also offers tax incentives and benefits for individuals and businesses.

The initial proposal for the 2009 package, H.R. 1, is an \$825 billion economic stimulus made up of two parts:² a \$550 million government-wide spending package marked up by the Appropriations Committee and a \$275 million tax package reported from the Ways and Means Committee. In general, the new budget authority is for two years (FY2009-FY2010), but outlays may be spread over a longer period.³ The bill has been approved by the appropriate committees and awaits floor action. Details on a proposal in the Senate are forthcoming.

This report summarizes agricultural and food programs in the stimulus package.

Agriculture and Food Programs

The appropriations portion of the economic stimulus plan is generally arranged by appropriations subcommittee. Agriculture programs, including nutrition assistance, rural development, and conservation, would receive about \$27 billion of the \$825 billion package (about 3.3%), based on Congressional Budget Office (CBO) estimates (**Table 1**). This amount is to supplement existing programs funded by the agriculture appropriations subcommittee. It does not include amounts that rural areas might receive under other areas of the stimulus package—such as transportation and bio-energy programs—that are unspecified in their geographic distribution or not administered by the U.S. Department of Agriculture (USDA).

Of the \$27 billion in H.R. 1 for agriculture and food programs, \$21 billion is for nutrition assistance programs. Food stamp benefits in the newly renamed Supplemental Nutrition Assistance Program (SNAP) represent the largest single increase and would rise 13.6% from current levels.

The program area with the next highest increase is rural development, which would receive a sizeable increase of \$5.1 billion over two years (compared to a regular annual appropriation of about \$2.5 billion). Rural broadband in particular would receive 20 times or more its recent level of funding. Separately, facilities maintenance and computer infrastructure improvements within

¹ For a background discussion on the potential benefits and costs of infrastructure programs, see CRS Report R40107, *The Role of Public Works Infrastructure in Economic Stimulus*, coordinated by Claudia Copeland.

² H.R. 1, “The American Recovery and Reinvestment Act of 2009,” Jan. 23, 2009, http://www.rules.house.gov/111/LegText/111_hr1_text.pdf.

³ Congressional Budget Office, “2009 Estimate of House Recovery and Reinvestment Act, 2009: House Markup,” Jan. 18, 2009, <http://www.cq.com/flatfiles/editorialFiles/budgetTracker/reference/docs/20090120cbo-hstimlong.pdf>.

USDA itself would receive nearly \$500 million, and conservation programs an additional \$400 million.

Table I. Agriculture and Food Provisions in the 2009 Economic Stimulus
(budget authority in millions of dollars)

Agricultural Program	H.R. 1
Nutrition Assistance	
SNAP (formerly Food Stamps)	19,991
After-school feeding program	726
Seniors nutrition programs ^a	200
Emergency food assistance	150
WIC management information systems	100
Subtotal, Nutrition Assistance	21,167
Rural Development	
Rural broadband infrastructure development	2,825
Rural water and waste disposal program	1,500
Rural housing service	500
Rural community facilities program	200
Rural business program	100
Subtotal, Rural Development	5,125
USDA facilities infrastructure	
FSA information technology (computers)	245
ARS facilities deferred maintenance	209
USDA headquarters repair and improvements	44
Subtotal, USDA facilities infrastructure	498
Conservation	
NRCS watershed and flood prevention	175
NRCS floodplain easements	175
NRCS watershed rehabilitation program	50
Subtotal, Conservation	400
Total, Agriculture and Related Agencies	27,190

Source: CRS compilation from H.R. 1 and CBO estimates.

Notes: In general, budget authority in the stimulus bill is for two years (FY2009-FY2010, with the exception of certain nutrition programs described in the text), but outlays may be spread over a longer period.

- a. The seniors nutrition program authorized by the Older Americans Act is administered by the Administration on Aging in the Department of Health and Human Services, unlike the other nutrition programs that are administered by the U.S. Department of Agriculture.

Nutrition Assistance

H.R. 1 includes seven items that substantially increase spending on domestic food assistance programs. The Congressional Budget Office (CBO) estimates total new spending on these initiatives at \$11.4 billion in the first two years (FY2009-FY2010) and \$21.1 billion over 10 years. The lion's share would go to added benefits under the Supplemental Nutrition Assistance Program (SNAP, formerly the Food Stamp program). Other programs included in H.R. 1 are nutrition assistance grants for Puerto Rico and American Samoa (they operate in lieu of SNAP), the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), Older Americans Act senior nutrition programs, child nutrition after-school efforts, and an increase in spending on The Emergency Food Assistance Program (TEFAP).

SNAP Proposals

SNAP benefits would be increased significantly and time limits on eligibility for able-bodied adults without dependents would be suspended. Moreover, state agencies operating the SNAP would receive extra administrative funding.

- SNAP benefits add to eligible low-income households' ability to cover their food costs out of their own income. Monthly allotments are based on the estimated cost of a minimally adequate diet—i.e., the annually indexed cost of the USDA's "Thrifty Food Plan" (its least costly diet calculation) varied by household size—adjusted for household income. In recognition of relatively rapid food-price inflation (benefits were last adjusted in October 2008), H.R. 1 would provide an immediate 13.6% across-the-board increase in SNAP benefits to all recipients by raising the base Thrifty Food Plan amounts normally used to calculate benefits by 13.6%. Benefits would continue at this higher level until normal annual indexing rules provided benefits that surpassed the 13.6% "add-on." A comparable increase in the nutrition assistance block grants for Puerto Rico and American Samoa also would be provided. In FY2009 and FY2010, these changes are expected to provide a total of some \$10.2 billion in additional benefits—noticeably above the total of \$100 billion anticipated under current law.
- SNAP eligibility for most able-bodied adults without dependents (ABAWDs) who are not working at least half-time or in job training is limited to 3 months out of every 36 months (without regard to their financial status). States have the option to waive this requirement in limited circumstances. Reacting to high unemployment rates, H.R. 1 would effectively suspend this requirement through September 30, 2010, at an estimated total cost of just over \$400 million over FY2009 and FY2010.
- While SNAP benefit costs are entirely a federal responsibility, states operating the SNAP share administrative costs with the federal government. Approximately half of administrative costs are picked up by states—estimated at between \$2.5 and \$3 billion in FY2008. Participation in the SNAP is rising dramatically, leading to higher administrative costs. For FY2009 and FY2010, H.R. 1 would provide \$150 million each year in additional federal money for SNAP administrative costs, distributed based on state SNAP caseloads and without requiring normal state matching. A small amount of this is set aside for federal oversight of the new SNAP benefit and eligibility rules.

WIC Program Proposal

The WIC program provides special vouchers for food purchases to lower-income pregnant/postpartum women, infants, and children judged to be at “nutritional risk;” it also offers nutrition education and breastfeeding initiatives. State agencies implementing the WIC program have consistently called for added support for implementing new or upgraded “management information systems” to improve their ability to deliver benefits more efficiently. H.R. 1 would provide total new funding of \$100 million for “critical” WIC management information system upgrades. An estimated \$50 million of this amount would be spent in FY2009 and FY2010; the remainder would result in outlays in FY2011 and FY2012.

Older Americans Act Nutrition Proposal

Older Americans Act nutrition programs provide federal payments for meals served to seniors in congregate meal settings (e.g., senior citizens centers) and to those served with home-delivered meals (“meals-on-wheels”). For FY2009, approximately \$800 million is available. In recognition of higher food costs faced by these programs, H.R. 1 would provide \$100 million a year in FY2009 and FY2010. This program, unlike other nutrition programs, is administered by the Administration on Aging in the Department of Health and Human Services.

After-School Program Proposal

Child nutrition law (generally through the Child and Adult Care Food program) provides federal subsidies for snacks served by sponsors (like schools) of after-school programs. In eight states, after-school sponsors also may receive federal payments for suppers that they serve free to lower-income children—Delaware, Illinois, Michigan, Missouri, New York, Oregon, Pennsylvania, and West Virginia. H.R. 1 would expand this rule to make after-school sponsors in all states eligible to receive federal subsidies for suppers, at an initial cost of some \$50 million over FY2009 and FY2010.

The Emergency Food Assistance Program (TEFAP)

TEFAP buys federally purchased food commodities for emergency food assistance providers (like food banks and soup kitchens) tapped by states as regional and local sponsors. TEFAP also makes grants for distribution and storage costs incurred by sponsors. In FY2009, TEFAP is budgeted at \$250 million in commodities and \$50 million for distribution/storage costs. H.R. 1, as reported by the full committee, would immediately make an additional \$150 million available: \$100 million for commodity acquisitions and \$50 million for distribution/storage costs.

Longer-Term Effects

The majority of the estimated new spending on nutrition assistance resulting from H.R. 1 (\$11.4 billion) is expected to occur in FY2009 and FY2010. Indeed, suspension of the ABAWD rule, new SNAP administrative spending, the TEFAP spending increase, and the Older Americans Act proposal are effectively limited to those two years. However, H.R. 1 may very well result in significant new spending after FY2010. According to CBO estimates, these might total some \$9.3 billion through FY2013 and \$9.9 billion through FY2019. This is primarily because the special 13.6% add-on to SNAP benefits may have an effect on spending (causing budget outlays above

currently expected levels, the CBO “baseline”) beyond FY2010—if food-price inflation moderates significantly (as assumed by the CBO) and normal inflation indexing does not “catch up” with the add-on. A very much smaller longer-term effect is caused by the expansion of the after-school supper initiative. H.R. 1 makes this change part of permanent child nutrition law and, as a result, new spending will continue well into the future. Although the initial two-year cost of this provision is estimated at about \$50 million, CBO estimates that the ten-year cost would be over \$700 million.

Finally, it should be noted that the documents accompanying H.R. 1 for nutrition assistance, and the table included in this report, present the total costs of H.R. 1, whereas the discussion above differentiates outlays by time periods. Thus, the SNAP proposals are estimated at \$20 billion (for all years through 2014, not just the first two); the after-school proposal is estimated at \$726 million (over ten years, not just the first two years); the WIC proposal is shown as \$100 million (\$50 million in the first two years and \$100 million over four years), the Older Americans Act proposal is \$200 million (over the first two years), and the TEFAP initiative is shown as \$150 million (over the first two years).

Rural Development

H.R. 1 proposes over \$5 billion in supplemental budget authority over two years for various rural development loan and grant programs (**Table 2**), a sizeable increase compared to a regular annual appropriation of about \$2.5 billion. This level of funding would support increasing the program level by nearly \$35 billion, a significant increase in new funding for rural areas compared to a regular annual loan level of about \$16 billion. The various loan and grant programs are discussed below and a summary table provided at the end.

Table 2. Rural Development in the 2009 Stimulus: Budget and Program Levels
(dollars in millions)

Rural Development Programs	H.R. 1	
	Budget Authority	Program Level
Rural broadband infrastructure development	2,825	5,500
Rural water and waste disposal program	1,500	3,836
Rural housing service	500	22,129
Rural community facilities program	200	1,239
Rural business program	100	2,013
Subtotal, Rural Development	5,125	34,717

Source: CRS compilation from H.R. 1, http://www.rules.house.gov/C111/LegText/111_hr1_text.pdf, and the House Appropriations Committee report, <http://appropriations.house.gov/pdf/RecoveryReport01-15-09.pdf>.

Notes: *Budget authority* reflects the cost to an agency of salaries, expenses, and the costs of making loans and grants such as interest subsidies and projected non-repayment of loans. *Program level* reflects the benefits derived by recipients, such as the sum of grants, direct loans, and loans guaranteed.

Rural Community Facilities

USDA's Rural Housing Service (RHS) administers the community facilities loan and grant program. This program provides support for "essential" community facilities in rural communities (e.g., public safety, libraries, education, community centers, day care, and rural medical clinics). H.R. 1 proposes \$200 million in supplemental budget authority to support a program level of \$1.2 billion in community facility grants and loans. In FY2008, the community facilities account received about \$68 million of budget authority. Like most rural development programs, applications for the community facilities exceed the regular annual appropriations to support the various projects. Currently, there are approximately \$1.2 billion in pending loan and grant applications.

Rural Housing Assistance

H.R. 1 proposes \$500 million in budget authority to support over \$22 billion in direct loans and loan guarantees for rural housing. In FY2008, the applications for various rural housing programs exceeded available funds by \$13.4 billion. Regular annual appropriations for rural housing are about \$1.5 billion in budget authority supporting \$6 billion in loans. The Section 502 single family housing loan program is the largest part of the RHS portfolio. Section 502 direct loans are primarily used to help low-income individuals or households purchase modest homes in rural areas. Funds can be used to build, repair, renovate or relocate a home, or to purchase and prepare sites, including providing water and sewage facilities. Section 523 self-help and assisted homeownership program provides assistance to individuals willing to contribute their own labor in constructing or rehabilitating a rural house. The stimulus bill proposes \$10 million for rural areas to begin housing construction and rehabilitation projects using sustainable and energy-efficient building practices. Proposed funding would be awarded by competition to projects that can begin quickly.

Rural Water and Waste Water Assistance

Rural water and waste water disposal loans and grants are administered by USDA's Rural Utilities Service (RUS). H.R. 1 would provide \$1.5 billion in supplemental budget authority to support \$3.8 billion in grants and loans for community drinking water and wastewater treatment projects. On an annual basis, this is more than double the regular annual appropriations for RUS water and wastewater programs, which in FY2008 received about \$560 million in budget authority to support about \$1.2 billion of loans. Similar to the backlog in other rural development programs, \$2.4 billion in applications for water and waste loans and \$990 million for water and waste grants went unfunded in FY2008.

Rural Business Development

Rural business development is supported by USDA's Rural Business-Cooperative Service (RBS). H.R. 1 proposes \$100 million to support approximately \$2 billion in loans and grants for rural businesses. Rural businesses can often be at a disadvantage in borrowing, especially in the current period of high demand and tightened credit. Private sector loans to rural businesses backed by federal guarantees (e.g., the business and industry guaranteed loan program) have become increasingly important sources of capital to rural businesses.

Broadband Telecommunications Support

The stimulus bill would provide over \$2.8 billion in new budget authority to support \$5.5 billion in direct loans, loan guarantees, and grants to commercial providers of broadband telecommunication infrastructure in rural areas. CBO estimates outlays primarily from FY2010-15, ranging from \$400 million to \$650 million in budget authority annually. Even accounting for the spreading the stimulus' budget authority over a longer period than two years, the level of support is about 20-30 times more than the rural broadband program has received in recent years. In FY2008, the program received about \$20 million in budget authority to support about \$313 million in loans and grants. Funding would be limited to areas without existing broadband service and where at least 75% of the beneficiaries live in rural areas.

Other Rural Funding

Funding proposed in the bill for other programs might also affect rural areas, although the funds are not explicitly targeted to rural areas nor are they administered by USDA Rural Development agencies. Tax reductions to businesses, small business credits, economic development assistance, energy efficiency grants to institutions (e.g., school districts, local governments), funds to modernize roads and bridges, school construction, health care facilities, and low-income home energy assistance could also provide new assistance to rural areas.

Similarly, energy related provisions may be targeted to activities such as renewable energy research and development. However, the proportion of these funds that would flow to rural areas or agricultural-related bio-energy programs is yet uncertain.

USDA Facilities Infrastructure

H.R. 1 has three provisions that fund infrastructure development or maintenance within the USDA. These projects total \$498 million, some of which would remain at the USDA headquarters in Washington, D.C., and some of which would be distributed to USDA research facilities and county offices throughout the country.

Farm Service Agency Information Technology

H.R. 1 would provide \$245 million to the Farm Service Agency (FSA) for maintaining and modernizing its information technology (computer) systems. For many years, FSA has had problems with an outdated mainframe computer system. FSA is the agency that administers the farm commodity subsidy programs, and its service to farmers – particularly through the network of county offices where enrollment and verification occurs – has been jeopardized by computer malfunctions. At one time in 2007, the computer system would fail daily or offices would be rationed in the amount of time they would be allowed to use or access their computers because of overloading the system. Data processing requirements are increasing with each farm bill, and the 2008 farm bill's new Average Crop Revenue Election (ACRE) and adjusted gross income limits are expected to further stress the antiquated computer system. For many years, FSA has sought increased funding for computers, and to some extent partial funding has been appropriated through annual appropriations bills, but the computer problems have continued. Although FSA has information technology problems that nearly all observers say must be addressed, the total funding needed to completely fix the problem is unclear.

Agricultural Research Service Facilities Maintenance

The Agricultural Research Service (ARS) is USDA's in-house science agency that conducts long-term basic and applied research on subjects of national and regional importance. Its annual budget consists of about \$1 billion for salaries and expenses for personnel to conduct experiments and maintain facilities, and a much smaller amount for the construction of new facilities. Over time, the maintenance of various USDA-owned facilities has lagged. H.R. 1 would provide \$209 million for work on critical deferred maintenance projects. ARS has identified \$315 million worth of deferred maintenance projects at its facilities all over the country. The House committee report language states that the \$209 million would fully fund the list of "critical" maintenance needs.⁴ Presumably, the maintenance program would require contracts with local construction companies to perform the work.

USDA Headquarters Repair and Improvements

H.R. 1 would provide \$44 million for construction, repair, and improvement projects at USDA's headquarters complex in Washington, D.C. The Department has a list of "long-delayed modernization and security improvements."

Conservation Programs

USDA conservation programs administered by the Natural Resources Conservation Service (NRCS) would receive \$400 million in H.R. 1. Most is for watershed and flood prevention: \$350 million divided in half with \$175 for watershed and flood prevention construction projects and \$175 million to purchase floodplain easements. The remaining \$50 million is for a dam rehabilitation program.

Watershed and Flood Prevention Operations

H.R. 1 would provide \$175 million for Watershed and Flood Prevention Operations to fund financial and technical assistance to plan⁵ and install projects on private lands (such as improvements for soil conservation and the utilization and disposal of water). The watershed project costs are shared with local sponsors, states, and/or other public agencies. The new funds must be obligated by September 30, 2010; management and oversight expenses are not limited.

Regular appropriations for the program reached a high of \$200 million in FY2002 and have declined steadily to \$30 million in FY2008.⁶ As appropriated funding decreased, the number of earmarks increased, reaching 85% of appropriated funding in FY2006.

Once a locally sponsored project completes required planning and environmental assessments, and signs an agreement with NRCS, it is considered an authorized watershed project and is eligible for funding. Currently there are over 300 unfunded authorized watershed projects totaling

⁴ House Appropriations Committee, Discussion draft of committee report to accompany The American Recovery and Reinvestment Act of 2009, Jan. 15, 2009, <http://appropriations.house.gov/pdf/RecoveryReport01-15-09.pdf>.

⁵ Watershed projects are planned and approved under the authority of the Watershed Protection and Flood Prevention Act of 1954 (P.L. 83-566), and the Flood Control Act of 1944 (P.L. 78-534).

⁶ Much of the decline was at the request of the Bush Administration.

\$1.28 billion. The proposed \$175 million would alleviate only a small portion of the unfunded projects; however it would still provide greater funding than recent years appropriations.

Floodplain Easements

The remaining \$175 million of the proposed \$350 million for watershed protection would be used to purchase floodplain easements under the authority of the Emergency Watershed Protection (EWP) program. Under a floodplain easement, a landowner voluntarily offers to sell NRCS a permanent conservation easement that provides NRCS with full authority to restore and enhance the floodplain's functions and values.

NRCS maintains a list of easement offers totaling over \$250 million in 17 states that meet basic eligibility criteria. Language in H.R. 1 gives priority to "activities that can commence promptly," likely implying a focus on the existing 17 states in the program rather than nationwide.

Watershed Rehabilitation Program

H.R. 1 would provide \$50 million to NRCS for the Watershed Rehabilitation Program. NRCS provides technical and financial assistance to watershed project sponsors to rehabilitate aging dams. In FY2007, 775 watershed dams previously built with NRCS assistance reached the end of their designated life span. By 2015, USDA estimates this number will exceed 4,300. If a dam should fail, a serious threat would be posed to the health and safety of those living downstream.

The 2008 farm bill authorizes \$100 million of one-time mandatory funding for the program in FY2009.⁷ The program was appropriated \$20 million in discretionary funds in FY2008. According to NRCS, 28 states requested \$42 million for 95 projects for FY2009, including 37 new projects and assessments of 102 dams.⁸ The proposed level of stimulus funding combined with annual appropriations and mandatory funding would cover the proposed projects as well as dam assessments. However, the continuous number of dams reaching the end of their designed life-span will only increase in future years, and mandatory program funding in FY2009 is not guaranteed given limitations placed on spending in recent appropriations acts.

⁷ The FY2009 Senate-reported agriculture appropriations bill (S. 3289, S.Rept. 110-426) would reduce the \$100 million mandatory funding in FY2009 to zero for the Watershed Rehabilitation program.

⁸ USDA, NRCS, *Watershed Rehabilitation Progress Report - 2008*, September 2008, http://www.nrcs.usda.gov/programs/WSRehab/Nat_Rehab_Report_08.pdf.

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