

GAO

Report to the Chairman, Subcommittee on  
Domestic Marketing, Consumer Relations,  
and Nutrition, Committee on Agriculture,  
House of Representatives

October 1987

SURPLUS  
COMMODITIES

Temporary Emergency  
Food Assistance  
Program's Operations  
and Continuance



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**Resources, Community, and  
Economic Development Division**

B-229092

October 19, 1987

The Honorable Leon E. Panetta  
Chairman, Subcommittee on Domestic Marketing,  
Consumer Relations, and Nutrition  
Committee on Agriculture  
House of Representatives

Dear Mr. Chairman:

As requested in your November 18, 1986, letter, and in subsequent discussions with your office, this report provides a brief overview of the U.S. Department of Agriculture's (USDA) Temporary Emergency Food Assistance Program (TEFAP) at the federal and state levels, including the criteria and procedures used to allocate and distribute TEFAP commodities and funds. In addition, you requested that we provide the views of selected states on (1) the appropriateness of USDA's method for allocating commodities and funds among states and (2) the potential effects that the continuation of TEFAP might have on states. Further, because you expressed a specific interest in cheese, as it relates to TEFAP, we focused our discussion on this commodity when feasible.

In summary, we found that TEFAP officials in the three states we reviewed—Georgia, New Jersey, and Pennsylvania—believe the program is generally achieving its objectives of reducing surplus commodity inventories while providing supplemental food assistance to needy individuals. However, these state officials told us that they have questions about TEFAP operations, including the method that USDA uses to allocate commodities and/or administrative funds among states, the recordkeeping and other accountability requirements, and how the program's continuance might affect state operations. (See app. II.)

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**Program Overview**

TEFAP was originally viewed as a one-time distribution of surplus dairy products to reduce federal inventories and provide low-income and unemployed individuals temporary food assistance. Since 1983, TEFAP has been extended annually, most recently by passage of the Stewart B. McKinney Homeless Assistance Act (Public Law 100-77, July 22, 1987), which extends TEFAP through fiscal year 1988.

USDA purchases and/or processes commodities used in TEFAP—cheese, butter, cornmeal, dry milk, flour, honey, and rice—under various legislation. USDA makes these commodities available to states under TEFAP to

reduce its inventories and provide supplemental food assistance to persons in need. To accomplish this, USDA first determines the amounts of commodities available for distribution to the participating states and then proportionately allocates each state amounts based on their estimated percentage of individuals classified as living in poverty and number of unemployed persons in relation to the number of such individuals nationwide. According to a USDA official, the Bureau of Census' poverty statistics and the Labor Department's unemployment statistics used to determine a state's allocation are the best data available. (See app. I.)

After a state is allocated TEFAP commodities, it may request these commodities and, through various volunteer organizations, distribute them to needy individuals. In addition to the allocated commodities, the Congress has appropriated and USDA has been authorized to allocate \$50 million annually since 1983 to help defray costs incurred by states for storing and distributing TEFAP commodities. USDA allocates these funds among states on the same percentage basis as it uses to allocate the commodities.

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## States' Issues

TEFAP officials in USDA and the three states we reviewed said that because USDA uses a different method to allocate commodities than the states use to request and receive them, the amount allocated to each state generally is different than the amount the state needs or can effectively distribute. For example, appendix III shows the difference in the amounts of cheese allocated by USDA and ultimately received and distributed by each state.

The three states we reviewed request TEFAP commodities based on the number of persons previously served or the amount of commodities that their volunteer organizations can distribute. Georgia and New Jersey requested less commodities than USDA allocated, while Pennsylvania requested more commodities than it was allocated. A USDA regional official said that states which requested and received less commodities than allocated, may be indicating that they are not fully participating in the program. However, because there are differences between USDA's allocated amounts and state requested amounts, USDA has formally asked for comments from states on ways USDA can make TEFAP allocations more closely reflect states' needs.

USDA also allocates funds to states using the same formula as it uses to allocate commodities. Although funds may be given in advance (with

any unused funds returned to USDA for reallocation to states that may need additional funds), officials of the three states told us that on several occasions funds were not given to them in a timely manner. Although the states were able to continue paying for the distribution of commodities they had with funds already on hand, the delay of funds disrupted ordering of additional commodities, but only for short periods of time—1 to 7 weeks. New Jersey and Pennsylvania officials told us that they had stopped ordering TEFAP commodities during the first quarter of fiscal year 1985 because funds were not available. The unavailability of funds was caused by the federal government operating on a continuing resolution which did not provide total TEFAP funding. In addition, the three states' officials told us that more recently they had experienced some delay in receiving TEFAP funds in fiscal year 1987. The 1987 delay was caused by the President's proposal to use TEFAP funds to meet the cost of pay increases for USDA employees. The officials in all three states told us that their states do not provide funds for TEFAP operations and had federal funds not become available, they may have had to terminate their TEFAP programs.

In addition, the state TEFAP officials told us that the April 1986 regulations promulgated by USDA had increased their cost of operating TEFAP because of new monitoring, recordkeeping, and other administrative functions required of them. According to the three states' officials, the April 1986 regulations have added administrative duties which, although performed by volunteers, increase the states' monitoring and recordkeeping costs and time. However, although volunteers have expressed opposition to performing these administrative duties, they have, for the most part, continued to donate their time to help in the program.

The April 1986 regulations were implemented to comply with the Temporary Emergency Food Assistance Act of 1983 (Public Law 98-8), as amended, which called for the development of criteria for accountability and eligibility of TEFAP at the state level. A USDA official stated that USDA recognizes that these regulations might create some additional costs and paperwork. However, USDA has not received a significant amount of complaints from states regarding these regulations and their implementation. As a result, USDA does not, at this time, plan to make any revisions to the regulations.

State TEFAP officials also told us that regulations effective October 1, 1987, that require states to match, either in cash or in-kind, each federal dollar used solely for state-level activities, will further increase the cost

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of their TEFAP operations. The regulations were developed to comply with provisions of the Food Security Act of 1985 (Public Law 99-198), which mandated the state matching funds.

A USDA program official said that they have not received any indication that states would not be able to fund the matching requirements. In addition, the USDA official said that the matching fund impact on states cannot be determined until after its implementation on October 1, 1987.

Finally, the state officials said that for them to implement TEFAP systematically, it should become a permanent program with sufficient funding and minimal regulatory changes which might adversely affect program operations. State officials told us that without these assurances TEFAP operations at the state level could be interrupted or discontinued.

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## Agency and States' Comments

We obtained comments from TEFAP officials in USDA and the states of Georgia, New Jersey, and Pennsylvania. These officials told us that overall the report is an accurate reflection of TEFAP operations, historical occurrences, and federal and state perspectives on the program. They also suggested several minor changes to more precisely convey their views, which we have incorporated in the final report where appropriate.

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Information in this report was obtained from USDA's Food and Nutrition Service headquarters in Alexandria, Virginia, and Mid-Atlantic Regional Office in Robbinsville, New Jersey; TEFAP program officials in the states we selected—Georgia, New Jersey, and Pennsylvania—and officials at the Bureaus of Census and Labor Statistics. We judgmentally selected the three states to obtain coverage of differing bases and times for requesting and distributing commodities. (See app. I for details on our scope and methodology.)

As agreed with your office, unless you publicly announce its contents earlier, we will make no further distribution of this report until 2 days from the date of this letter. At that time, we will send copies of the report to the Secretary of Agriculture; the Administrator, Food and Nutrition Service; the Director, Office of Management and Budget; and other interested parties.

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Major contributors to this report are listed in appendix IV.

Sincerely yours,

A handwritten signature in black ink that reads "Brian P. Crowley". The signature is written in a cursive style with a prominent underline at the end.

Brian P. Crowley  
Senior Associate Director

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**Abbreviations**

GAO	General Accounting Office
SDDP	Special Dairy Distribution Program
TEFAP	Temporary Emergency Food Assistance Program
USDA	U.S. Department of Agriculture

# The Distribution of Commodities to the Needy Under the Temporary Emergency Food Assistance Program

## Background

The distribution of surplus agricultural commodities to people in need generally began with the Agriculture and Food Act of 1981 (Public Law 97-98) which directed the U.S. Department of Agriculture (USDA) to use all available authorities to reduce its inventory of dairy products acquired through commodity price support programs. In response to the act, the President announced in December 1981 that 30 million pounds of cheese would be made available to states for distribution to needy individuals through the Special Dairy Distribution Program (SDDP). The distribution was to be a one-time release of surplus dairy products intended by the Congress to reduce federal inventories and provide temporary food assistance to low-income and unemployed individuals affected by the economic recession.

SDDP operated under the 1981 act from January 1982 to March 1983. During this period, butter and cheese were made available to states, and states were encouraged to order as much of these commodities as they could distribute without waste. Federal regulations on program accountability, recordkeeping, and paperwork requirements were minimized to allow states the flexibility needed to achieve the SDDP goals. States also were allowed to establish their own eligibility requirements for recipients.

In March 1983, the SDDP was replaced by the Temporary Emergency Food Assistance Program (TEFAP) with the passage of Title II of the Jobs Bill (Public Law 98-8). The act directed USDA to distribute surplus cheese, butter, nonfat dry milk, flour, cornmeal, rice, and honey to charitable institutions, food banks, hunger centers, soup kitchens, and other public or private nonprofit organizations for distribution to people classified as living in poverty and unemployed individuals. In addition, the act made \$50 million available annually to states to reimburse them for costs incurred in storing and distributing commodities. Any state receiving a portion of these funds must make at least 20 percent of the total amount received by the state available to the local distribution organizations within the state.

In September 1983, the Federal Supplemental Compensation Act of 1982 Amendments (Public Law 98-92) amended the Temporary Emergency Food Assistance Act of 1983 (Public Law 98-8) by defining eligible agencies and requiring states to establish household eligibility guidelines based on economic need. The act also included a number of provisions addressing concerns about program accountability and displacement of

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commercial food sales.<sup>1</sup> USDA regulations for the accountability and eligibility provisions for fiscal years 1986 and 1987 were issued in April 1986. The Congress has extended the TEFAP annually since 1983. Most recently, TEFAP was extended for fiscal year 1988 by the Stewart B. McKinney Homeless Assistance Act of July 22, 1987.

As the program evolved, USDA established a formula for allocating commodities and funds among the states. The formula allocates commodities and funds based on the number of persons in households having incomes at or below the federally established poverty level and on the number of persons unemployed within the state. Sixty percent of the allocation is based on the poverty level and 40 percent on unemployment. For example, during fiscal year 1986, USDA determined that Pennsylvania had about 1.2 million individuals living in poverty and about 0.5 million unemployed persons. By applying the 60/40 formula, USDA estimated that Pennsylvania had about 747,000 needy individuals, which equated to about 4.7 percent of the needy individuals nationwide. Thus, Pennsylvania was allocated about 20 million pounds (4.7 percent) of the 420 million pounds of cheese available in fiscal year 1986. Appendix III shows the amount of cheese allocated and received by each state for fiscal year 1986. Of the 49 states participating in the program, 29 states requested and received more cheese and 20 states requested and received less cheese than USDA allocated. This occurred because USDA's formula is designed to determine each state's estimated fair share of available commodities rather than the amount of commodities that each state needs or can effectively distribute.

USDA uses the latest available poverty statistics from the 1980 Census data, which are based on 1979 income. The unemployment figures are updated monthly by the Bureau of Labor Statistics. USDA makes semiannual adjustments to the amount of commodities allocated to each state and annual adjustments to the amount of administrative funds allocated to each state.

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## Distribution Procedures

When USDA inventories of commodities reach predetermined levels, USDA decides, based on the capabilities of companies that process these commodities, how much of each commodity will be made available to the states for distribution to the needy. USDA then notifies the states of the

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<sup>1</sup>The act requires that the Secretary of Agriculture must not make commodities available for donation in any quantity that he determines may substitute for the same or any other agricultural produce that would otherwise be commercially purchased.

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amount of commodities allocated to them. States in turn may submit a request for either its full allocation or a portion thereof through its respective USDA regional office.

During fiscal year 1986, TEFAP commodities were requested by and distributed to every state except Alaska. Alaska did not participate in TEFAP because it did not need large quantities of commodities and the transportation costs to ship small quantities to Alaska makes participation in TEFAP uneconomical. Table I.1 lists the amount and value of TEFAP commodities delivered nationwide, for fiscal years 1984 through 1986. As table I.1 shows, USDA delivered a total of about 2.7 billion pounds of commodities valued at about \$2.9 billion to the states.

**Table I.1: Pounds and Value<sup>a</sup> of TEFAP Commodities Delivered Nationwide, Fiscal Years 1984-86**

Dollars in millions

TEFAP Commodity	Fiscal year						Total	
	1984		1985		1986		Pounds	Value
	Pounds	Value	Pounds	Value	Pounds	Value		
Cheese	474.5	\$678.9	443.0	\$624.4	410.2	\$552.6	1,327.7	\$1,855.9
Butter	141.2	213.6	119.1	178.0	70.6	102.5	330.9	494.1
Dry milk	72.7	77.3	80.0	82.9	93.5	90.0	246.2	250.2
Flour	56.1	7.8	106.9	14.1	127.3	14.7	290.3	36.6
Cornmeal	38.9	6.3	35.4	4.9	37.8	4.6	112.1	15.8
Honey	59.4	46.5	69.3	54.0	78.0	60.7	206.7	161.2
Rice	7.4	1.5	75.9	14.7	130.8	21.2	214.1	37.4
<b>Total</b>	<b>850.2</b>	<b>\$1,031.9</b>	<b>929.6</b>	<b>\$973.0</b>	<b>948.2</b>	<b>\$846.3</b>	<b>2,728.0</b>	<b>\$2,851.2</b>

<sup>a</sup>Values are based on the prices USDA paid for the commodities.

Source: USDA Food and Nutrition Service.

When TEFAP commodities reach a state's designated delivery point(s), procedures for further distribution within the state are left to that state's discretion. Ultimately, TEFAP commodities are given to local distribution sites for delivery to or pick up by needy individuals. Within-state transportation is performed by the state distributing agency or a local distribution site may pick up commodities and distribute them to other local distribution sites. The frequency of distribution varies from state to state. Also, distribution periods and locations vary within a state because the same distribution site is not always used, the same transportation and storage facilities are not always available, the number of volunteers constantly change, and bad weather may make a prior location undesirable.

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For the three states we reviewed, Pennsylvania distributes TEFAP commodities every month, Georgia distributes every other month, and New Jersey distributes quarterly. The frequency of distribution within a state depends on the number of participants and the size and willingness of its volunteer organizations that distribute TEFAP. For example, Pennsylvania distributes commodities to about 150,000 participants monthly. These participants are served by 67 lead agencies operating in the state's 67 counties and coordinating the activities of about 1,300 distribution sites. A lead agency can have responsibility for more than one county. According to a Pennsylvania official, the large number of distribution sites in Pennsylvania, coupled with the large number of persons participating in TEFAP, permits Pennsylvania to distribute TEFAP commodities monthly.

New Jersey distributes commodities to about 130,000 participants quarterly. These participants are served by 23 lead agencies within the state's 21 counties, which coordinate the activities of 1,214 distribution sites. A New Jersey TEFAP official told us that the quarterly distributions have met the requests of the nonprofit organizations that distribute the commodities. The state has initiated an open-order system, which allows these organizations to request food on an as need basis.

TEFAP officials in Georgia told us that the state alternates the distribution of its commodities every other month—one month it distributes TEFAP commodities to the northern part of the state and the following month it distributes the commodities to the southern part. According to an official, Georgia's distribution organizations cannot physically make deliveries more frequently because these organizations have responsibility for administration of several other programs, such as the community service block grant and energy programs. Georgia, has 27 lead agencies serving 159 counties which coordinate the efforts of about 556 distribution sites that serve about 186,000 households.

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**Recipient Eligibility and**  
**Quantities Provided**

Other responsibilities which USDA has delegated to the states include determining eligibility of recipients for TEFAP commodities and the quantity of a commodity each recipient may receive. These state determinations, however, must be consistent with USDA guidelines.

USDA regulations require states to establish income eligibility criteria to ensure that only households that are in need of food assistance, because of inadequate household income, receive TEFAP commodities. As shown in table I.2, the income eligibility criteria varies among states. Eight

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states use the same income eligibility criteria as that used for reduced price meals in the National School Lunch Program—185 percent of the federally established poverty level. The other 41 states established more stringent income criteria of between 103 and 165 percent of the established poverty income level.

A state may allow a participant in another federal assistance program that uses an income criteria to automatically qualify and participate in TEFAP. A state may also establish separate income eligibility criteria for the elderly that may permit them to qualify for the program. Once a state has established its income eligibility criteria and other application procedures, it must submit this information in a plan to USDA for approval. According to a USDA official, all the states had approved plans for fiscal year 1987. We reviewed the plans for the states of Georgia, New Jersey, and Pennsylvania.

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**Table I.2: Poverty Income Eligibility  
Criteria for TEFAP**

<b>State</b>	<b>Percentage of poverty criteria</b>	<b>State</b>	<b>Percentage of poverty criteria</b>
Alabama	130	Nebraska	147
Arizona	150	Nevada	150
Arkansas	130	New Hampshire	150
California	150	New Jersey	185
Colorado	185	New Mexico	130
Connecticut <sup>a</sup>	150	New York	185
Delaware	130	North Carolina	130
Florida	130	North Dakota	150
Georgia	130	Ohio	150
Hawaii	150	Oklahoma	130
Idaho	130	Oregon	130
Illinois	125	Pennsylvania	150
Indiana <sup>a</sup>	150	Rhode Island	103
Iowa	185	South Carolina	130
Kansas	165	South Dakota	185
Kentucky	130	Tennessee	130
Louisiana	130	Texas <sup>a</sup>	130
Maine	150	Utah	185
Maryland	150	Vermont	125
Massachusetts	150	Virginia	130
Michigan <sup>a</sup>	130	Washington	150
Minnesota	185	West Virginia	185
Mississippi	130	Wisconsin	150
Missouri <sup>a</sup>	125	Wyoming	160.5
Montana	150		

<sup>a</sup>These states also apply the following percentages: Connecticut, elderly and handicapped, 175; Indiana, over 60 years of age, 180; Michigan, over 60 years of age, 160; Texas, over 65 years of age, 165; Missouri, over 60 years of age or disabled, 160.

Source: Food and Nutrition Service, USDA.

In keeping with USDA guidelines, each state determines its own guidelines for the amounts of commodities to be distributed to households of varying sizes. For example, in New Jersey a four person household could receive 5 pounds of cheese, 2 pounds of butter, 4 pounds of rice, 3 pounds of honey, 8 pounds of dry milk, and 5 pounds each of flour and cornmeal. States, however, are allowed to establish an amount to be given eligible household recipients that is less than the suggested amounts if it finds that giving a lesser amount will provide some commodity to all requesting eligible recipients. For example, a TEFAP official in New Jersey said that if TEFAP officials arrive at a distribution site and

find that they do not have enough commodity to fill the site's need, the distributing site officials may give less than the established amount to each eligible individual to ensure that all the needy at the site receive some commodity.

According to TEFAP officials in USDA and the states of Georgia, New Jersey, and Pennsylvania, TEFAP commodities are intended to supplement food needs, not provide recipients with their daily nutritional needs.

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## Objectives, Scope, and Methodology

In a November 18, 1986, letter from the Chairman, Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition, House Committee on Agriculture, and in subsequent discussions with the Chairman's office, we were asked to provide a brief overview of the TEFAP program at the federal and state levels, including the criteria and procedures used to allocate and distribute TEFAP commodities and funds. In addition, the Chairman requested that we provide the views of TEFAP officials in selected states on (1) the appropriateness of USDA's method for allocating commodities and funds among states and (2) the potential affects that continuing TEFAP might have on these states. Further, because the Chairman expressed a specific interest in cheese as it relates to TEFAP, we focused our discussions on this commodity when feasible.

To address these issues, we gathered information and interviewed officials from USDA's Food and Nutrition Service headquarters in Alexandria, Virginia, and Mid-Atlantic Regional Office in Robbinsville, New Jersey, and officials at the Bureaus of Census and Labor Statistics. We selected the states of Georgia, New Jersey, and Pennsylvania to review TEFAP program operations at the state and local levels. These states were judgmentally selected to obtain coverage of differing bases and times for distributing commodities. Georgia distributes every other month, New Jersey distributes quarterly, and Pennsylvania distributes monthly.

In addition, these states differ on the amount of commodity they request and receive from USDA in relation to their USDA-allocated amount of commodities. Generally, the amount requested by each state we reviewed is based on that state's need or the amount the state can effectively distribute. Georgia and New Jersey routinely accept a lesser amount of commodity than is allocated by USDA, whereas Pennsylvania requests and receives a greater amount than its USDA allocation. The results of our review within the three states do not necessarily represent the views or conditions of state TEFAP operations nationwide.

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We reviewed applicable legislation, regulations, procedures, and reports describing the requirements, operations, and status of TEFAP. We reviewed state operating plans for administering the program in Georgia, New Jersey, and Pennsylvania. We obtained data from USDA on the volume and value of TEFAP commodities delivered to states in fiscal years 1984 through 1986. Also, we obtained from USDA the amount of TEFAP administrative funds allocated among states in fiscal year 1986. We obtained information from the Bureaus of Census and Labor Statistics and determined how their data were used to estimate national poverty and unemployment figures, which USDA uses in its formula for allocating TEFAP commodities and funds to the states.

This report provides information and discussion on TEFAP operations at the federal level and within three states. The data and statements presented in this report were not audited or validated. We discussed the results of our work with USDA officials and TEFAP program officials in Georgia, New Jersey, and Pennsylvania. Comments from these officials have been incorporated where appropriate. Our review was conducted between March 1987 and June 1987.

# States' Issues Relating to TEFAP

Although TEFAP officials in the states of Georgia, New Jersey, and Pennsylvania told us that TEFAP is meeting its objectives of reducing USDA inventories and providing supplemental food assistance to the needy, they have questions and concerns about USDA's formula used to allocate commodities and funds among states, receiving funds in a timely manner, the recordkeeping and other accountability requirements, and the uncertainty created by participating in a program that is not permanent.

## USDA Allocation of Commodities Differs From States' Requests

State TEFAP officials in Georgia, New Jersey, and Pennsylvania told us that USDA uses a different basis to determine each state's allocation of commodities than what states use as the bases for their request for commodities. Currently, USDA uses a formula that estimates the number of poverty and unemployed persons in a state to determine a state's allocation of commodities. The officials told us that the states base their requests for TEFAP commodities on the number of persons previously served and/or the amount of TEFAP commodities that their volunteer organizations can reasonably distribute.

As we discussed earlier, when USDA inventories of commodities reach predetermined levels, USDA decides how much of each commodity will be made available to the states for distribution to the needy. For example, USDA determined that during fiscal year 1987, 420 million pounds of cheese will be available for distribution under TEFAP. After a total amount is determined for allocation nationwide, USDA publishes the amounts of commodities available under TEFAP in the Federal Register. USDA then notifies the states of the amount of commodities allocated to them. States in turn may submit a request for either its full allocation or a portion thereof through its respective USDA regional office. Because some states do not request their full allocation of commodities, USDA offers the unrequested commodities to states that indicate a need for additional commodities.

Table II.1 shows the volume of TEFAP commodities USDA allocated and delivered to the states of Georgia, New Jersey, and Pennsylvania in fiscal year 1986.

Appendix II  
States' Issues Relating to TEFAP

Table II.1: Amount of TEFAP  
Commodities Allocated and Delivered in  
Fiscal Year 1986

State	Pounds		Percentage of allocation
	Amount allocated	Amount delivered	
Georgia	24,199,195	17,864,092	74
New Jersey	24,221,376	12,810,288	53
Pennsylvania	47,141,880	71,100,324	151

Source: Food and Nutrition Service, USDA.

Program officials in the three states we interviewed said that their request for TEFAP commodities is different than the amount allocated by USDA because states base their requests on historical requirements or the ability to distribute commodities. For example, New Jersey based its request for TEFAP commodities in fiscal year 1986 on how many persons it had served historically. Thus, the state requested and received about 53 percent of the USDA allocation. As a result, a USDA official questioned whether a state which requested and received less commodities than allocated is participating in the program to the extent it could. Program officials in New Jersey told us that the amount of commodities USDA allocates for New Jersey is only an estimate of what New Jersey can use. New Jersey received a lesser amount of commodities than USDA allocated because it did not serve as many low-income and unemployed persons as USDA had estimated.

In contrast, Pennsylvania requests and receives more than its USDA-allocated amount of commodities. For fiscal years 1984, 1985, and 1986, Pennsylvania has received about 138 percent of its USDA allocation. During fiscal year 1986 alone, Pennsylvania received about 51 percent more commodities than USDA had allocated. Pennsylvania bases its request on the number of persons served and, according to state officials, is able to serve a larger percentage of its target population because it is better able to distribute the commodities.

Similar to New Jersey, Georgia also received less than its USDA-allocated amount of commodities in fiscal year 1986. The Georgia TEFAP official said the state only requests and receives TEFAP commodities in amounts that its volunteer organizations can deliver to the needy considering other program responsibilities.

The differences between USDA's commodities allocation and states' requests has also become an issue within USDA. In October 1986, USDA published a notice in the Federal Register to solicit comments on ways to better allocate TEFAP commodities to the states. USDA stated in the notice

that its allocation formula may need to be more responsive to changes in economic conditions in order to do an adequate job of targeting commodities and funds to states in greatest need. USDA has received and is currently reviewing comments from the states. Generally, states criticized USDA's formula for using outdated poverty figures and federal rather than state unemployment numbers. A USDA program official stated that USDA uses the latest available data on poverty and unemployment. As of September 1987, USDA has made no decision on whether a change in the allocation method will be made.

## TEFAP Funds to States Are Not Always Timely

USDA allocates funds to the states to help defray costs for storing and distributing TEFAP commodities. However, the officials in the three states we reviewed said that the distribution of TEFAP funds were sometimes delayed which caused a disruption to their participation in the program.

Since 1983, USDA has been authorized to allocate \$50 million annually to the states to help defray their costs to operate TEFAP. Regulations permit USDA to make these funds available in advance of actual expenditures up to the amount of funds that a state is allocated. USDA currently allocates TEFAP funds using the same formula it uses for allocating each state's commodities.

Program officials in Georgia, New Jersey, and Pennsylvania told us that USDA must ensure the availability of funds to enable states to continue to participate in the program without interruption. The Georgia official added that the TEFAP distribution functions are time-consuming and laborious for its nonprofit organizations and that these organizations are reimbursed at less than actual costs. According to a New Jersey official, federal TEFAP funds were delayed from October 1 until mid-November 1984, because the federal government was operating on a continuing resolution which did not provide total TEFAP funding. During this delay, state officials told us that the state did not order TEFAP commodities. This interruption in TEFAP operations within the state occurred because the state relied solely on federal funds to operate the program and it did not authorize any state funds. As a result, the delay of TEFAP funds in fiscal year 1985 caused New Jersey to request and receive about 50 percent less commodities during that fiscal year compared with the total amount of commodities received during the previous (1984) fiscal year. The state official concluded that, although TEFAP had resumed fully in

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mid-November of 1984, the delay of TEFAP funds made planning difficult, if not impossible. A recent New Jersey report on hunger<sup>1</sup> stated that for fiscal years 1983 through 1985 the federal government had announced its intention to curtail TEFAP at mid-year, only to reinstate it later in the fiscal year. This caused a disruption of TEFAP operations in the state.

Similarly, a Pennsylvania TEFAP official told us that the state had not ordered TEFAP commodities during the beginning of fiscal year 1985 because TEFAP funds were not available to pay for the costs of distributing and storing commodities and Pennsylvania had not authorized state funds to pay these costs. When TEFAP funds became available, later in the fiscal year, the state resumed its TEFAP operations.

More recently, according to the three states' officials, they had experienced some delay in receiving TEFAP funds during the first quarter of fiscal year 1986 and also in the second quarter of fiscal year 1987. According to a USDA official, the first quarter 1986 delay was caused by the administration releasing only portions of the TEFAP funds rather than the full amount. The second quarter of fiscal year 1987 delay occurred because of the President's proposal to use TEFAP funds to meet the cost of pay increases for USDA employees. These delays did not terminate the states' TEFAP operations because they were short term—1 to 7 weeks—and the states had funds and commodities in inventory to continue their operations without interruption. However, the ordering of additional commodities was disrupted when funds were delayed. State officials told us that had these commodities and funds run out before the funds were provided, they may have had to stop all TEFAP operations in their state because state funds were not available.

A USDA official explained that until funds are appropriated they cannot be allocated to state agencies for the operation of TEFAP. The official noted that over the past several years last-minute continuing resolutions, supplemental appropriations, as well as stopgap measures have affected the availability of TEFAP funds and consequently the operations of TEFAP at the state level. With regard to the delay which occurred during the second quarter of fiscal year 1987, the President had proposed to use TEFAP funds to meet the cost of pay increases for USDA employees. These occurrences, according to the USDA official, caused the distribution

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<sup>1</sup>Hunger: Report and Recommendations of the New Jersey Commission on Hunger, State of New Jersey, 1986.

of TEFAP funds to the states to be delayed for short periods of time—  
from 1 to 7 weeks.

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## Effects of Increased Regulatory Requirements

Another issue that affects TEFAP is regulatory requirements that USDA implemented to provide for program accountability and recipient eligibility. These regulations, according to state TEFAP officials, have increased the cost of administering the program. In addition, volunteers have told state officials that the regulatory tasks they are now asked to perform takes more time and they would prefer not to do them. However, although volunteers have expressed opposition to performing administrative duties, they continue to donate their time to help in the program.

In addition, effective October 1, 1987, states will be required to match, either in cash or in-kind, each federal dollar retained by the state and used solely for state-level activities. This matching requirement was developed by USDA to comply with provisions of Title II of Public Law 98-8, as amended by the Food Security Act of 1985 (Public Law 99-198), which mandated the matching requirement.

In April 1986, USDA issued regulations requiring states, through local volunteer organizations, to record inventories of TEFAP commodities, the name of the recipient, the amount of commodities given to a recipient, and the total number served and to submit these data to USDA. These regulations were developed to comply with provisions in the Temporary Emergency Food Assistance Act of 1983 (Public Law 98-8), as amended. Most of these regulatory functions are carried out by volunteers at the local level. In addition, the regulations require states to maintain records of expenses that are subject to reimbursement by the TEFAP fund, implement a monitoring program to ensure that only eligible households and unemployed persons receive TEFAP benefits, and annually monitor a specified number of the organizations and institutions that distribute TEFAP commodities.

Program officials in the three states we interviewed told us that these regulatory requirements, although worthwhile, have to some extent discouraged volunteers' willingness to continue to donate their time. For example, the New Jersey official said that the state had a volunteer organization—the Salvation Army in Newark—drop out of the program, in part, because of the increased recordkeeping duties. The New Jersey official further explained that volunteers are not accustomed to compiling detailed data and are reluctant to fulfill, what they perceive

as, burdensome regulatory requirements. The official told us that prior to the regulations, volunteers only had to hand out food to the needy and did not have to ask recipients for proof of eligibility or perform recordkeeping functions. The USDA regulations now have volunteers verify recipient's eligibility and perform recordkeeping functions which they, according to state officials, would prefer not to do. Although there are complaints by volunteers regarding USDA regulations, states' officials told us that the increased regulatory requirements have, for the most part, not caused volunteers to quit. However, these officials added that should the number of volunteers that are currently participating decrease and suitable replacements not be found, the frequency and volume of TEFAP commodities distributed to needy individuals would be reduced.

A Pennsylvania TEFAP official told us that volunteers do more administrative duties than previously expected from them because of the April 1986 regulations. Prior to the April 1986 regulations, volunteers helped distribute commodities to the needy with minimal administrative duties to perform. However, volunteers are now expected to carry out administrative functions, including obtaining proof of eligibility from recipients and recording the name and address of a recipient and how much commodity each was given. According to a state official, although regulatory functions are necessary and beneficial, poor recordkeeping is inherent from volunteers because they do not focus their attention on these functions nor view them as their major goal. Thus, in this official's opinion, the regulatory requirements which volunteers are asked by the state to perform takes more time and they would prefer not to do them. In addition, the official said that these requirements on volunteer organizations place a responsibility on the states to determine how well volunteers are performing.

A Georgia official said that there is a limit to the amount of information one can expect an unpaid volunteer to gather and correctly document. This is especially true in rural and extreme poverty stricken areas where the education level of available volunteers may be lower than volunteers elsewhere in the state. In addition, the official said that volunteers view the giving of food to the needy more important than documenting the household's eligibility and the amount of food distributed to it. To simplify the recordkeeping functions, Georgia changed its eligibility verification procedures from requiring proof of participation in another program with an income means-test (i.e., food stamps) to

allowing participants to self-declare their total household income. A volunteer organization then completes the necessary paperwork, secures household signatures, and makes an eligibility determination.

Regarding the cost of implementing the April 1986 regulations, TEFAP officials in the three states told us that, although they have returned unused administrative funds in the past, the regulatory requirements have increased the cost of administering the program to the extent that returning unused funds may not continue in the future and possibly more than \$50 million may be needed to provide adequate funding to the states. In addition, the state officials anticipate that other regulations effective October 1, 1987, requiring states to match federal TEFAP funds spent at the state level will cost states more. According to a USDA official, these regulations were developed to better ensure that federal funds are used for the distribution of commodities to the needy at the local level rather than have federal funds spent for state-level administrative functions.

An official in New Jersey said that to meet the federal matching funds requirement, the state plans to shift funds at the state level. This official objects to having the state pay for any costs associated with TEFAP because it was and is a federal program rather than a state program. A Georgia TEFAP official told us that the program started as a federal program but now the federal government wants the states to share the cost. The official also said that for Georgia to cover its cost of TEFAP the state proposes to increase its budget. The program official noted that the largest increase in the cost of administering TEFAP within the state is at its local level. According to the program official, for this reason Georgia has purposely minimized these potential costs by eliminating or reducing as much recordkeeping functions as possible while still adhering to program regulations.

The TEFAP official in Pennsylvania told us that the recent and proposed regulations will require its legislature to appropriate state funds to meet the costs of operating TEFAP not covered by federal funds.

Finally, officials of the three states we reviewed told us that in providing for the needy, TEFAP commodities are beneficial. However, TEFAP is not a permanent program, even though it has been extended annually since 1983. These officials noted that the regulations implemented in April 1986 and those going into effect on October 1, 1987, have and will affect program operations and increase state costs. Therefore, should the program be continued, states need to know that continuation of the

program will include sufficient and timely administrative funding and exclude further regulatory changes which may adversely affect program operations, including adverse impact on volunteer organizations.

A USDA program official said that USDA recognizes that regulation can create some additional cost and paperwork which is unwelcomed by the states and volunteer organizations. However, according to this official, USDA has not received indication that the April 1986 regulations and/or the matching regulations effective October 1, 1987, are or will be too costly or burdensome for states or volunteers to comply with. As a result, USDA does not plan to make any revisions to the current regulations.

The USDA TEFAP official commented that even though it appears TEFAP has been institutionalized by its continuance since 1981, it is still a temporary program subject to change as conditions warrant. The official added that the program's continuance through fiscal year 1988, although authorized by passage of the Stewart B. McKinney Homeless Assistance Act (Public Law 100-77, July 22, 1987), is at this time uncertain. This uncertainty stems from the fact that USDA's inventory of commodities are being reduced by surplus reduction efforts and distribution through other programs, such as school lunch and exports. Because of these reductions and TEFAP being last in priority to receive surplus commodities, the program may be substantially reduced in the second half of fiscal year 1988.

# The Quantity of Cheese Allocated to and Received by States During Fiscal Year 1986

Pounds in millions

State	Cheese		State	Cheese	
	Allocated	Received		Allocated	Received
Alabama	9.072	10.230	Nebraska	2.184	2.455
Arizona	4.704	4.873	Nevada	1.344	1.228
Arkansas	5.208	6.212	New Hampshire	1.176	.818
California	40.656	41.019	New Jersey	10.206	6.064
Colorado	4.326	4.613	New Mexico	3.024	3.199
Connecticut	3.990	3.757	New York	30.702	30.355
Delaware	.924	.670	North Carolina	10.458	6.515
Florida	17.094	17.149	North Dakota	1.050	.930
Georgia	11.340	8.035	Ohio	18.060	20.762
Hawaii	1.302	.856	Oklahoma	5.502	8.668
Idaho	1.722	1.972	Oregon	4.914	5.468
Illinois	21.420	23.559	Pennsylvania	19.740	29.494
Indiana	8.652	9.859	Rhode Island	1.302	.967
Iowa	4.410	5.878	South Carolina	6.006	4.315
Kansas	3.108	3.608	South Dakota	1.302	1.711
Kentucky	8.400	13.243	Tennessee	10.080	11.885
Louisiana	11.088	6.138	Texas	29.148	30.876
Maine	1.806	1.897	Utah	2.184	2.492
Maryland	5.502	4.538	Vermont	.714	.670
Massachusetts	7.056	5.952	Virginia	6.678	3.832
Michigan	17.472	18.414	Washington	6.888	7.886
Minnesota	5.376	6.906	West Virginia	4.200	4.948
Mississippi	7.350	5.952	Wisconsin	6.384	7.180
Missouri	8.232	5.208	Wyoming	.630	.521
Montana	1.344	1.600			

Source: Food and Nutrition Service, USDA.

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