The Case Against the Thrifty Food Plan as the Basis for the Food Component of the AFDC Standard of Need

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I. Introduction

The "standard of need" is important in determining eligibility for, and benefits under, the Aid to Families with Dependent Children (AFDC) Program. Recent legislation requires states to reevaluate their standards of need and AFDC payment standards by October 1991 and again at least once every three years. /1/ Although decisions about how to reflect housing costs are clearly the most important in designing a state's standard of need, the food component also raises significant concerns. This article examines the "thrifty food plan," one method that states commonly rely upon to compute food costs, and summarizes the research literature demonstrating the inadequacy of this method.

II. AFDC "Standard of Need"

States' AFDC benefits are computed with reference to two separate figures, both of which are set by the state: the standard of need and the payment standard. /2/ The standard of need is intended to represent the amount of money that a low-income family requires to obtain the basic necessities for a month. The payment standard is the amount from which a state will subtract nonexempt income. In some states, the standard of need and the payment standard are set at the same number. In others, the payment standard is expressed at a fraction of the standard of need. /3/

The standard of need directly affects families applying for or receiving AFDC in several ways. First, families whose net income exceeds the standard of need or whose gross income exceeds 185 percent of that standard are completely ineligible for assistance. /4/ Second, in determining the amount of income to be deemed available to a family from a dependent child's stepparent or grandparent, a deduction is allowed in an amount equal to the standard of need for the stepparent or grandparent and any dependents that he or she has outside of the AFDC assistance unit. /5/ Third, the standard of need is the divisor in determining the number of months for which a family receiving a lump sum will be disqualified from receiving assistance. /6/ Finally, in the approximately ten states that compute AFDC benefits by the "fill-the-gap"
method, income may only count to reduce the family's grant to the extent that it exceeds the difference between the maximum payment and the standard of need. /7/

The standard of need also may affect the payment standard if the state's law or tradition calls for it to pay a certain fraction of the standard of need. In some limited circumstances, federal courts have entertained challenges to state standards of need or reductions in AFDC payment levels. /8/

Courts have held that some state constitutions and statutes require states to provide adequate assistance to eligible families. /9/ A properly designed standard of need may be useful in establishing what constitutes adequate assistance.

Section 404 of the Family Support Act of 1988 requires each state to

"reevaluate the need and payment standard under its plan at least once every 3 years, in accordance with a schedule established by the Secretary, and report the results of the reevaluation to the Secretary and the public . . . ." /10/

This report must include statements of

"(A) the manner in which the need standard of the State is determined,

(B) the relationship between the need standard and the payment standard (expressed as a percentage or in any other manner determined by the Secretary to be appropriate), and

(C) any changes in the need standard or the payment standard in the preceding 3-year period." /11/

This provision was effective upon enactment on October 13, 1988, /12/ which would make the first reevaluations due on October 13, 1991. /13/ The Secretary of Health and Human Services, however, has yet to issue guidelines to the states. Some states are well underway in reevaluation efforts aimed at meeting this fall's deadline, but many others appear to have done little to comply with this section of the Act.

Housing costs comprise the largest single expenditure in most low-income households' budgets, with half of all poor renters spending 65 percent or more of their incomes on shelter. /14/ Choosing the basis for assessing the housing cost component of the standard of need raises very important issues, with some advocates recommending that states work from the "fair market rents" established by the U.S. Department of Housing and Urban Development. /15/ These issues, however, are beyond the scope of this article.

Food costs will generally constitute the second largest element of the standard of need. /16/ Several states routinely base their food components on the U.S. Department of Agriculture's (USDA's) "thrifty food plan." Although it is understandable that states will not want to design their own "market basket" indices to measure food costs, other USDA plans provide a far
better measure of the actual food needs of low-income households than does the thrifty food plan.

III. Inadequacy of the Thrifty Food Plan

The "thrifty food plan" is one of four food plans developed by the United States Department of Agriculture (USDA) for use as standards of family food use and costs. /17/ Of the four food plans--thrifty, low-cost, moderate, and liberal--the thrifty food plan is the least expensive and the only one that is not based on households' actual consumption patterns. /18/ It serves as the basis for the maximum allotment levels in the Food Stamp Program. /19/ The thrifty food plan is to be "designed in accordance with the Secretary of Agriculture's calculations," /20/ and is not subject to any specific dietary standards. /21/ The plan has been widely criticized as nutritionally deficient and as an inaccurate reflection of the actual cost of the "market basket" list of foods that it assumes a family will consume.

A. Nutritional Deficiencies

Several studies have shown that households spending an amount of money on food equivalent to the thrifty food plan receive only a fraction of the Recommended Daily Allowances (RDAs) for 11 nutrients. /22/ The USDA's own nationwide consumption survey of 14,400 households in 48 states indicated that, of the households with food costs at the thrifty food plan level, only 9 percent received the RDAs for 11 nutrients and only 33 percent received even 80 percent of the RDAs. /23/ The USDA study showed a correlation between increased food expenditures and better nutritional quality among the households surveyed. /24/ For example, when the household's food costs were equivalent to the low-cost food plan, rather than the thrifty food plan, the percentage of households receiving the RDAs jumped from 9 percent to 31 percent, and the percentage of households receiving 80 percent of the RDAs increased from 33 to 64 percent. /25/

The Food and Nutrition Service (FNS) of the USDA has acknowledged the nutritional deficiencies of the thrifty food plan. The preamble to an emergency final rule of April 2, 1980, discusses the deficiencies of the "economy food plan," the precursor to the thrifty food plan, at the same or slightly higher cost level, referring to data from the Agricultural Research Service. /26/ After noting that the economy food plan was designed by expert nutritionists with skills that few low-income households possess, FNS stated that

"[s]tudies show that few families spending at the level of the Economy Plan select foods that provide nutritionally adequate diets. The cost of this plan is not a reasonable measure of basic money needs for a good diet. The public assistance agency that recognizes the limitations of its clientele and is interested in their nutritional well-being will recommend a money allowance for food considerably higher than the cost level of the Economy Plan. Many welfare agencies base their food cost standards on the USDA Low-Cost Food Plan, which costs about 25 percent more than the Economy Plan." /27/
The nutritional deficiencies of the thrifty food plan and the correlation between higher food expenditures and better nutritional quality strongly suggest that the thrifty food plan is an inadequate standard for the food costs of low-income households.

**B. Actual Costs of Purchasing the "Market Basket"**

Even if the diet prescribed by the thrifty food plan were nutritionally adequate, the plan would still be deficient as a standard of food costs, because it underestimates the actual costs of purchasing the foods in the plan's "market basket." The USDA has acknowledged that actual food costs may well be higher for many low-income households and has characterized the economy food plan as a diet "for temporary use when funds are low." /28/ Studies have estimated that the actual cost of purchasing the foods in the market basket may be up to 48 percent higher than the cost of the thrifty food plan. /29/ Several factors may account for the higher actual cost of the market basket, including the location of the poor households, the size and prices of the available food stores, and USDA's questionable assumptions about the available resources of low-income households.

The thrifty food plan was designed by highly trained nutritionists using a computer model, and the USDA has acknowledged that the average food purchaser would find it much more difficult to purchase nutritionally adequate food by spending the amount of money equivalent to the thrifty food plan. /30/ A USDA study indicates that lower-income families, in particular families eligible for food stamps, received a greater average return of nutrients per dollar than higher-income households. /31/ However, even with better than average food purchasing skills, low-income households may be unable to purchase the market basket on a thrifty food plan budget. Low-income families living either in inner city areas or in rural areas may have particularly high food costs. Although the thrifty food plan is based on the average cost of foods nationwide, the USDA has acknowledged that many low-income households live in areas where food costs tend to be higher. /32/ Researchers across the country have documented that the actual costs of the thrifty food plan are higher for low-income families, /33/ and several studies indicate that, in general, food costs tend to be higher in areas of high concentrations of low-income people. /34/ For example, a 1987 study in Los Angeles revealed that food costs were an average of seven percent higher in areas with a high concentration of public assistance recipients. /35/

A 1989 New York state study compared the cost of the thrifty food plan market basket in inner city, suburban, and rural areas. /36/ Overall, the actual cost of the market basket was between 4.5 and 21.9 percent higher than the USDA thrifty food plan. /37/ Costs in supermarkets were generally lower than in small stores and ranged from 4.5 percent higher than the thrifty food plan cost in the suburban survey area, to 15.7 percent higher in the inner city target area. /38/ Costs were much higher in small stores and averaged from 17.5 percent (rural) to 21.9 percent (inner city and suburban) higher than the thrifty food plan. /39/ That survey found relatively few supermarkets located in the low-income target areas. /40/

Similar findings came from California. /41/ A 1987 study documented food costs in the cities of Los Angeles and Berkeley. /42/ On average, food costs in Los Angeles were 15 percent higher than the thrifty food plan in supermarkets and 38 percent higher in small stores. /43/ In
Berkeley, the costs were 22 percent higher in supermarkets and 48 percent higher in small stores. /44/

The higher cost of food in smaller stores is particularly important, because poor families may do significantly more of their food shopping at smaller stores. /45/ Many poor families do not have access to low-cost, convenient transportation to larger supermarkets that are not within walking distance. /46/

Transportation may be a particular problem for the rural poor; one study has shown that there are nearly eight times as many supermarkets per county in urban areas than in rural areas. /47/ In addition, small stores have been shown to be more likely to give credit to their customers, /48/ a particular help to low-income families who may run out of money for food at the end of the month.

Although food costs are relatively higher in small stores than in supermarkets, supermarket costs in inner city areas tend to be higher than in suburban areas. /49/ Higher operating expenses, including higher security, labor, and repair and maintenance costs, were cited as a cause of this discrepancy. /50/

Sales taxes charged on food also affect the cost of the market basket. /51/ The USDA did not include allowances for sales taxes when it calculated the cost of the thrifty food plan. /52/ Therefore, households that do not purchase their food with food stamps /53/ and who must pay sales taxes on food will find purchasing the market basket even more difficult.

Whether low-income families are located in inner cities, rural areas, or suburban areas without access to large supermarkets or food warehouses, the actual cost of purchasing the market basket has been shown to be far greater than the cost of the thrifty food plan.

C. Problematic Assumptions on Which the Thrifty Food Plan Is Based

In developing the thrifty food plan, the USDA failed to consider several constraints on low-income households that affect their ability to obtain and prepare the market basket of foods at the thrifty food plan cost level.

Low-income persons must have access to transportation to low-cost food stores. The cost of transportation to less expensive stores or the cost of home delivery tends to reduce the savings obtained from purchasing cheaper groceries, /54/ particularly for the elderly and disabled poor who are unable to walk long distances to less expensive markets. /55/

Households must have basic facilities for food storage and preparation. /56/ These include a functioning refrigerator, freezer, and stove, and shelves free from rodents and insects. /57/ This is critical, because much of the food must be prepared from scratch. The plan assumes that households eat no meals in restaurants, bake at least one bread product or other food every day, use dried legumes instead of canned, and use no pre-prepared food items. /58/ A USDA survey of households following the plan shows that preparation and cooking time was about three and one half hours per day, not including time spent cleaning the kitchen afterwards. /59/ Families
who live in apartments in metropolitan areas are more likely to lack these facilities needed for food preparation. /60/

Adequate facilities are also critical because the thrifty food plan allows for only five percent waste of food due to spoilage or spillage. /61/ Although the USDA did account in the plan for the waste of inedible food parts (such as bones or peelings), the five percent figure is supposed to include all waste of edible food, such as spoilage due to inadequate refrigeration facilities, food left on plates, milk spilled, or food dropped. /62/ Low-income families have been found to waste significantly less food than higher-income families; however, even low-income families lost more than five percent of food. /63/

The thrifty food plan does not make allowances for special diets. /64/ A significant number of low-income elderly and disabled people with special dietary needs may be unable to purchase and prepare foods to fit their needs within the constraints of the thrifty food plan. /65/ In addition, the plan does not account for the special needs of pregnant women, adolescents, or persons engaged in heavy manual labor. /66/

Finally, the USDA uses "economies of scale" in setting the per person cost of the thrifty food plan lower in larger households than in smaller ones. /67/ In using the "economies of scale," the USDA inaccurately assumes that larger households have lower per person food costs due to such factors as a higher ratio of children to adults in large households and opportunities for less expensive bulk buying of food. /68/ Several variables may affect the scale, however, and the results may vary depending on whether the sample population consists of all households or only low-income households. /69/ Further, to the extent that savings in large households are due to buying in bulk, these savings would not be available to low-income households, such as the rural poor, who shop in smaller stores and may be unable to purchase food in large package sizes. /70/ To the extent that the "economies of scale" do not affect low-income households in a manner that is consistent with the USDA's projections, larger households that receive smaller food allowances per person are even less able to buy enough food for their families for the cost of the thrifty food plan.

IV. Conclusion

The thrifty food plan should not be used as the basis for the food component of the AFDC standard of need, because it is an inadequate measure of the cost of obtaining a nutritious diet. Households spending an equivalent amount of money for food fell far short of obtaining the RDAs. Further, the actual cost of purchasing the "market basket" of foods is much higher, particularly for low-income households, than this USDA plan indicates. Finally, the thrifty food plan was developed based on several questionable assumptions about low-income households. Advocates properly representing eligible clients should work toward preventing the use of the thrifty food plan in the AFDC standard of need /71/ and should advocate instead for use of one of the other three USDA food plans as a more accurate reflection of food costs for low-income households. /72/
footnotes


2. "Need standard means the money value assigned by the State to the basic and special needs it recognizes as essential for applicants and recipients; payment standard means the amount from which non-exempt income is subtracted." 45 C.F.R. Sec. 233.20(a)(3)(ii). See generally Rosado v. Wyman, 397 U.S. 397, 407-409 (1970) (Clearinghouse No. 1886).


5. 42 U.S.C. Sec. 602(a)(31)(B) and (39); 45 C.F.R. Sec. 233.20(a)(3)(xiv)(C) and (3)(xviii). Grandparents' income is counted against or "deemed" available to the dependent child's income if his or her parent or legal guardian is under age 18.

6. 42 U.S.C. Sec. 602(a)(17); 45 C.F.R. Sec. 233.20(a)(3)(ii)(F). A family receiving nonexcluded income in a month that exceeds the standard of need for a family of that size is disqualified from receiving AFDC for a period of months determined by dividing the amount of that income by the standard of need for a family of the appropriate size. 42 U.S.C. Sec. 602(a)(17)(A); 45 C.F.R. Sec. 233.20(a)(3)(ii)(F). This disqualification period may be shortened under some circumstances. 42 U.S.C. Sec. 602(a)(17); 45 C.F.R. Sec. 233.20(a)(3)(ii)(F).

7. For example, if a fill-the-gap state with a standard of need of $400 and a maximum payment of $250 for a family of a particular size, the first $150 a month in nonexempt income that a household of that size receives would not prevent the household from receiving the maximum $250 grant. A household with monthly income of more than $150 a month would have its grant reduced by $1 for every dollar of income it received in excess of $150.

8. E.g., Rosado, 397 U.S. at 397 (elimination of special needs allowances improperly lowered standard of need); Roselli v. Affleck, 508 F.2d 1277 (1st Cir. 1974) (Clearinghouse No. 12,673); Illinois Welfare Rights Org. v. Trainor, 438 F. Supp. 269 (N.D. Ill. 1977) (Clearinghouse No. 22,693). But see Jefferson, 406 U.S. at 535 (no violation of Social Security Act or equal protection clause to pay AFDC families lower percentage of standard of need than state paid elderly and disabled persons); Dandridge, 397 U.S. at 471 (state's arbitrary limitation on the total amount payable to any family for a month does not violate Social Security Act or the equal protection clause). Much of this litigation was based on 42 U.S.C. Sec. 602(a)(23),...
which required a one-time cost-of-living adjustment to AFDC standards of need and payment levels on July 1, 1969. The reevaluation section of the FSA does not require adjustment of payment standards.


10. FSA, supra note 1, at Sec. 404(a) (codified at 42 U.S.C. Sec. 602(h)(1)).

11. Id. at Sec. 404(a) (codified at 42 U.S.C. Sec. 602(h)(2)).

12. Id. at Sec. 404(b).

13. The Office of Family Assistance recently requested states to submit information concerning their standards of need and payment policies as of October 1990. Office of Family Assistance, HHS, No. FSA-AT-91-7 (Feb. 21, 1991). Although this submission might help generate a data base that would be helpful in assessing states' standards of need and maximum payment amounts, it does not require information on the states' reevaluation processes. The Action Transmittal does not set out any requirements for the reevaluation process.


16. States generally may not reduce the content of their standards of need in any consolidation of the components making up that standard. 45 C.F.R. Sec. 233.20(a)(2)(ii).

listed in the market basket. 48 Fed. Reg. 34700 (1983). Studies and other materials developed prior to that revision have been used in this article where the relevant factor is the total food cost, rather than individual foods selected.

18. See Human Nutrition Information Serv., USDA, HNIS (Adm.) 329, Cost of Food at Home Estimated for Food Plans at Four Cost Levels, January 1991, U.S. Average (Feb. 1991) (Clearinghouse No. 46,540). For example, in January 1991, the cost levels per month under each of the four plans for the USDA's standard family unit (a couple aged 20 through 50 with 2 children, aged 6 through 8 and 9 through 11, see 7 U.S.C. Sec. 2012(o)) were $354.00 for the thrifty plan, $453.40 for the low-cost, $566.80 for the moderate-cost, and $683.30 for the liberal plan.

19. 7 U.S.C. Secs. 2012(o) and 2017(a).

20. Id. at Sec. 2012(o).

21. The Food Stamp Act describes it only as "the diet required to feed a family of four persons, consisting of a man and a woman twenty through fifty, a child six through eight, and a child nine through eleven years of age." Id.


The thrifty food plan was designed to meet 100 percent of the RDAs for most but not all vitamins and minerals. Thrifty Food Plan, supra note 22, at 4. The exceptions cited in the report were 90 percent of the RDA of iron for children 1 to 2 years of age; 80 percent of the RDA for zinc; 80 percent of the RDA for Folacin and vitamin E; not providing for the RDA of vitamin D; and using the ratio of vitamin B6 to protein rather than the actual RDA. Id. at 4-5.

23. Peterkin & Kerr, supra note 22, at 25; see also Thrifty Food Plan, 1983, supra note 22, at 7.


25. Id.


27. Id., citing USDA Agricultural Research Service, "Sample Menus and Food Lists for One Week Based on USDA Economy Food Plan," at 1. The Economy Food Plan was defined as 80
percent of the Low Cost Food Plan; in January 1991, the Thrifty Food Plan was equal to 78 percent of the Low Cost Food Plan. See S. REP. NO. 397, 100th Cong., 2d Sess. 21, reprinted in 1988 U.S. CODE CONG. & ADMIN. NEWS 2259.


29. See, e.g., L. Neuhauser, Methods for Determining Welfare Food Allowances for Recipients of General Assistance, at 289 (1988) (Ph.D. thesis, Univ. of Cal. at Berkeley) (Clearinghouse No. 46,550); Public Voice for Food and Health Policy, Higher Prices, Fewer Choices: Shopping for Food in Rural America (1990); E. Crockett, K. Clancy, & J. Bowering, Audit and Evaluation of Food Program Use in New York State: Food Price Survey (Dep't of Nutrition and Food Management, Syracuse Univ. 1989); HOUSE COMM. ON AGRIC., supra note 22; Parker, Sara Lynn, Food Stamp Facts (1991) (available from FRAC); see also FRAC, Community Childhood Hunger Identification Project: A Survey of Childhood Hunger in the United States, Executive Summary (1991) (Clearinghouse No. 46,515) (survey of 2,335 low-income households in seven sites across the U.S. indicating that the average family with an income below the poverty line was able to spend only 77 percent of the thrifty food plan on food, even when using food stamps and vouchers from the Special Supplemental Food Program for Women, Infants, and Children (WIC) along with cash).


33. See, e.g., Crockett, supra note 29; Neuhauser, supra note 29; Morris, supra note 29.

34. See HOUSE COMM. ON AGRIC., supra note 22, at 13, 14.

35. Neuhauser, supra note 29, at 252.

36. Crockett, supra note 29.

37. Id. at ii.

38. Id.

39. Id.

40. Id. at iii.

41. See Neuhauser, supra note 29, at 238, 289.

42. Id.
43. Id.

44. Id.

45. See, e.g., Morris, supra note 29; HOUSE COMM. ON AGRIC., supra note 22, at 22.

46. Transportation may be particularly problematic in light of the AFDC and Food Stamp Programs' resource limitations. The AFDC program counts a family's equity in a vehicle against its resource limits, which are set by states but which cannot exceed $1,000. Any equity over a threshold, also set by the states, not to exceed $1,500, counts against the limit. 45 C.F.R. Sec. 233.20(a)(3)(i)(B). A household is generally allowed to exempt only $4,500 from the fair market value of the family's vehicle, even if the household's equity is much less. Any value over that limit is counted as a resource against the household. 7 U.S.C. Sec. 2014(g). That limit has not been changed since 1977. Households with more than $2,000 in countable resources ($3,000 for households containing at least one member 60 years of age or older) are usually ineligible for food stamps. Id.; but see 7 U.S.C. Sec. 2014(a) (exempting some AFDC households from the resource limit).

47. Morris, supra note 29, at 3.

48. Id. at 22.

49. See HOUSE COMM. ON AGRIC., supra note 22, at 13.

50. Id. at 14.

51. See id. at 18.

52. Id.

53. The Food Stamp Act prohibits states from charging sales tax on food stamp purchases. 7 U.S.C. Sec. 2013(a). Recent USDA studies have found, however, that many stores continue to collect taxes on food stamp purchases.

54. See HOUSE COMM. ON AGRIC., supra note 22, at 22; Parker, supra note 29, at 15. See also text accompanying notes 45 to 47, supra.

55. HOUSE COMM. ON AGRIC., supra note 22, at 22.

56. See id. at 21; Parker, supra note 29, at 15.

57. HOUSE COMM. ON AGRIC., supra note 22, at 22; Parker, supra note 29, at 15.

58. HOUSE COMM. ON AGRIC., supra note 22, at 22; Parker, supra note 29, at 15.

59. HOUSE COMM. ON AGRIC., supra note 22, at 22-23; Parker, supra note 29, at 15.
60. HOUSE COMM. ON AGRIC., supra note 22, at 21.

61. Id. at 11; Parker, supra note 29, at 16.

62. See HOUSE COMM. ON AGRIC., supra note 22, at 11-12; Parker, supra note 29, at 16.

63. HOUSE COMM. ON AGRIC., supra note 22, at 12.

64. Id. at 24; Parker, supra note 29, at 15-16.

65. HOUSE COMM. ON AGRIC., supra note 22, at 24; Parker, supra note 29, at 15-16.

66. Affidavit of Sara Lynn Parker, Director of Nutrition Policy and Research, FRAC, at 4 (Mar. 5, 1991) (Clearinghouse No. 46,511). A disproportionate number of AFDC and food stamp recipients may be engaged in heavy manual labor because they are subject to those programs' employment and training programs and may lack the skills necessary for other employment.


68. HOUSE COMM. ON AGRIC., supra note 22, at 25.

69. Id. at 28.

70. See, e.g., Morris, supra note 29.

71. See generally Butte Community Union, 712 P.2d 1309.

72. See, e.g., Standard of Need Advisory Comm., Report to the Commissioner of Human Services, New Jersey (Oct. 1990) (advocating use of a Modified Low Cost Food Plan in state's standard of need) (Clearinghouse No. 46,525); see also Parker, Moving Toward the Low Cost Food Program as a Basis for the Food Stamp Program Allotment--Why is it the Preferable Plan? (1987) (FRAC Issue Paper) (Clearinghouse No. 46,520).