1990 Farm Bill's Inaccessible-Resource Provision Applies to Vehicles

By David A. Super

In 1990 Congress amended the Food Stamp Act to exclude consideration of resources whose disposition was unlikely to bring a household a significant return. Two prominent examples of this are undivided part-interests in land (often "heir property" inherited from a relative who died without leaving a will) and motor vehicles on which the outstanding debt approaches or exceeds the fair market value. Congress returned to strengthen this provision in 1991.

The U.S. Department of Agriculture's Food and Nutrition Service (FNS) proposed regulations to implement this provision on August 13, 1991, but withdrew its proposal after it encountered a hail of criticism from the public, Congress, and the media. In a December 27 memo conveyed through its regional offices, FNS told states to "exercise their best judgment regarding procedures for applying these provisions" when it became effective on February 1, 1992. /1/ On January 31 and February 3, after some states had already begun to apply this policy to the full range of households' resources, FNS transmitted instructions abruptly changing its position by insisting that states could not exclude vehicles under these rules.

This article focuses on the two major issues surrounding this provision's implementation: whether it applies to vehicles and the appropriate threshold for determining whether a resource's disposition would produce a significant return.

I. The Statute

Section 1719(1) of the 1990 Farm Bill /2/ amended section 5(g) of the Food Stamp Act, governing resources, to ensure that otherwise eligible households were not disqualified for failing to dispose of property that could not realistically bring a significant return:

The Secretary shall promulgate rules by which State agencies shall develop standards for identifying kinds of resources that, as a practical matter, the household is unlikely to be able to sell for any significant return because the household's interest is relatively slight or because the cost of selling the household's interest would be relatively great. Resources so identified shall be excluded as inaccessible resources. /3/
The Food, Agriculture, Conservation, and Trade Act Amendments of 1991 /4/ strengthened this provision by mandating that all resources meeting a simple, objective test be excluded. It added the following two sentences at the end of the 1990 provision:

A resource shall be so identified if its sale or other disposition is unlikely to produce a significant amount of funds for the support of the household. The Secretary shall not require the State agency to require verification of the value of a resource to be excluded under this paragraph unless the State agency determines that the information provided by the household is questionable. /5/

Both the original legislation and the 1991 amendments became effective on February 1, 1992. /6/

**III. Legislative History**

The purpose of the above legislation clearly was to obviate the need for households to value or dispose of resources whose sale would not significantly reduce the household's need for food stamps. The sponsors' viewpoint was expressed by the chairman of the House Agriculture Committee's Subcommittee on Domestic Marketing, Consumer Relations and Nutrition, Rep. Charles Hatcher:

The provision on simplified resource determinations for inaccessible resources is intended to save paperwork for State agencies and households. Since it affects the exclusion of resources, rather than the valuation of nonexempt resources, it will not be necessary for the State agency to determine the exact fair market value of a resource to determine that the resource is exempt. The program's resource rules are intended to deny eligibility to persons with other, readily available means of obtaining food. It serves no purpose to deny a household food stamps because of an asset whose disposition would be costly relative to its value and therefore would not yield the household any significant cash. /7/

Although the House Agriculture Committee's report uses the case of real property passing by intestate succession to illustrate the provision's effect, the report says nothing to suggest that the provision should be limited to that type of resource:

The purpose of the program's resource rules is to limit food stamps to those who really need them. They ensure that the Federal Government does not provide food assistance to households with substantial resources. This purpose is obviously not served when the resource cannot, in fact, be sold. /8/

**III. Applicability of Legislation to Vehicles**

In a notice to all FNS regional offices, transmitted late on January 31, 1992, FNS Deputy Administrator Andrew P. Hornsby, Jr., stated that "[w]e have received inquiries asking if
the general provisions of section 5(g)(5) of the Food Stamp Act [7 U.S.C. 2014(g)(5)] are applicable to vehicles. The answer is no." /9/ Hornsby did not explain the basis for this determination other than to state that "[s]ection 5(g)(2) of the Food Stamp Act specifically governs the vehicle exclusion policy." The notice then quoted part of section 5(g)(2) of the Act, /10/ dealing with the valuation of vehicles and other resources. One can only infer from this that FNS is asserting that because section 5(g)(2) does apply to vehicles, section 5(g)(5) must not. If this is FNS's position, it is wholly without merit.

First and foremost, the statute neither establishes nor authorizes such a distinction: nothing in section 5(g)(2) makes it the sole provision governing vehicles, and nothing in section 5(g)(5) impairs in any way its inapplicability to vehicles. As the Supreme Court stated, "[i]f the statute is clear and unambiguous," such language must be regarded as conclusive, and "that is the end of the matter, for the court, as well as the agency, must give effect to the unambiguously expressed intent of Congress." /11/ Moreover,

[t]he judiciary is the final authority on issues of statutory construction and must reject administrative constructions which are contrary to clear congressional intent. If a court, employing traditional tools of statutory construction, ascertains that Congress had an intention on the precise question at issue, that intention is the law and must be given effect. /12/

And, finally, it is manifestly untrue that section 5(g)(2) is the only part of section 5(g) that applies to vehicles. Section 5(g)(4) excludes from resources "farm property (including land, equipment, and supplies) that is essential to the self-employment of a household member in a farming operation" for households that ceased to engage in farming during the previous year. Among the most widely owned farm "equipment" are tractors and trucks for hauling products to markets, or fertilizers and other supplies to the farm. Congress clearly recognized this when it added this passage to the Act in 1988. /13/

Section 5(g)(3), as also amended by the 1990 Farm Bill, excludes "nonliquid resources necessary to allow the household to carry out a plan for self-sufficiency approved by the State agency. . . ." Motor vehicles will often be crucial to households' plans for self-sufficiency. /14/ Section 5(g)(1), containing the overall food stamp resource limits, also obviously applies to vehicular and nonvehicular resources alike. If sections 5(g)(1), 5(g)(3), and 5(g)(4) can apply to both vehicles and other resources, there is no logical reason why section 5(g)(5) does not as well. Indeed, by limiting section 5(g)(3)'s new exclusion to "nonliquid resources"--in the same 1990 legislation that enacted section 5(g)(5)--Congress showed that it was fully capable of limiting parts of section 5(g) to particular kinds of resources. Its failure to impose any such restriction on section 5(g)(5) clearly demonstrates that Congress had no such restrictive intent. "Where different language is used in different parts of a statute, it is to be presumed that the language is used with different intent." /15/ Moreover, "[i]t is a canon of statutory construction that where as here the words of a later statute differ from those of a previous one on the same or a related subject, the legislature must have intended them to have a different meaning." /16/
Applying section 5(g)(5) to vehicles would definitely not be inconsistent with section 5(g)(2). Section 5(g)(5), like sections 5(g)(3) and 5(g)(4), excludes some vehicles from consideration altogether. If a vehicle does not fall within any of these specific exclusions, the second step is to evaluate it under section 5(g)(2). Once this has been done, any remaining countable resources must be compared with section 5(g)(1)'s resource limits.

The Food Stamp Act follows a similar pattern in evaluating income: first, section 5(d) prescribes several complete exclusions; second, sections 5(e) and 5(f) establish procedures for evaluating any nonexempt income (some of which also have the effect of completely eliminating some income from consideration); finally, any remaining income must be compared with section 5(c)(1)'s net-income test. (Some households also must meet a gross-income test under section 5(c)(2) in the second step.) Section 5(e) provides five separate possible deductions from nonexcluded income. Section 5(g)(2) provides a flat $4,500 deduction from the fair market value of nonexcluded vehicles. Sections 5(g)(3)-(5) help determine which vehicles need be evaluated at all. And section 5(g)(2) provides the rules for evaluating the vehicles not excluded by the other sections.

Although FNS limits some of its general resource rules to property other than vehicles, /17/ it places no such restriction on the resource exclusions in 7 C.F.R. Sec. 273.8(e), /18/ including subsection (e)(8)'s exclusion for "[r]esources having a cash value that is not accessible to the household." FNS has long applied these exclusions to licensed vehicles. /19/ FNS's proposed rules for implementing subsection 5(g)(5) would merely have added a new subsection (e)(18) to the existing list of general resource exclusions without any limitation to vehicles. /20/ These proposed rules acknowledged that "various types of resources" would be covered without any suggestion that vehicles were not one of those types. /21/

FNS has been on notice for quite some time that the inaccessible resource provision was widely understood to apply to vehicles. If FNS believed, for whatever reason, that section 5(g)(5) should not apply to vehicles, it had plenty of opportunity to ask Congress to impose such a limitation as part of the 1991 amendments to this provision. Well before Congress enacted, and the President signed, the 1991 amendments, this provision had become the subject of extensive media attention.

In article after article, FNS was criticized for its insensitivity to the plight of unemployed workers who had cars with high fair market values, and in which they had little equity. These articles criticized FNS for proposing an unduly harsh inaccessibility test. The applicability of the inaccessible-resource provision to vehicles was never an issue; the articles reflected the widespread understanding that the provision applied.

A November 2, 1991, Associated Press story, which ran in major newspapers in at least a dozen cities, reported that the stringency of the inaccessibility test "could hurt recipients who own a car worth more than $4,500 or have other possessions with book values, but not resale values, of more than $2,000." /22/ The Administration clearly was aware of
these charges: both Catherine Bertini, the assistant secretary of agriculture, and a senior official of the Office of Management and Budget were quoted as defending the department's actions. Neither individual suggested that the article was in any way mistaken in describing the inaccessible-resource provision as applying to cars. Similarly, a November 8, 1991, editorial in the Baltimore Evening Sun reflected the same understanding of these rules:

Another provision would count, for the purpose of determining eligibility, the sale value of assets—of a car, for example—even if the equity were small. For victims of the newest wave of layoffs, who until recently had fairly good jobs, substantial mortgages, car payments and cars, the draft regulations make impoverishment a trade-off for government help. /23/

Public comments submitted to the department on the proposed regulations also reminded the Administration of the widespread understanding that section 5(g)(5) applied to vehicles as well as other kinds of resources. In comments submitted by the Food Research and Action Center (FRAC) on September 12, 1991, a separate section, entitled The Proposed Rule Should Explicitly State That Vehicles Meeting These Criteria Are Exempt Resources, was devoted to this issue:

The proposed rule does not specifically state that vehicles are included in this section. However, because vehicles are given separate treatment from other resources in the Program, see [7 C.F.R. ] 273.18(g), (h), the Department should state that vehicles are not exempt from this proposed rule, and shall be exempt if they meet the stated criteria for inaccessibility. /24/

And a November 8, 1991, letter from FRAC Executive Director Robert J. Fersh to Assistant Secretary Bertini, criticizing the stringency of the proposed inaccessibility test, again conveyed the general public assumption that vehicles are among the kinds of resources covered by section 5(g)(5):

The regulations will cause hardship for many families who have purchased an item (such as a car needed for work) before a recessionary layoff but who have little or no equity in the item. These households will be denied benefits due to a resource they cannot sell for money to feed their families. /25/

Criticisms such as these resulted in the enactment of the 1991 amendments overriding the proposed regulation on inaccessible resources and other accompanying proposals. In light of this widespread, uncontradicted understanding that section 5(g)(5) covered vehicles in the debate over the proposed regulation that yielded the 1991 amendments, it is not surprising that Congress saw no need to insert language making the coverage explicit. And if the Administration opposed this rule, it had plenty of time to ask Congress for language exempting vehicles. The President had plenty of time to veto the 1991 legislation that the participants in the debate understood to apply to vehicles. /26/
The fact that this issue was explicitly raised in comments on the proposed rules makes FNS's imposition of the "no vehicles" limitation in an unpublished policy letter all the more outrageous. The Food Stamp Act requires the secretary of agriculture to administer the Food Stamp Program through rules published after notice and comment under the Administrative Procedure Act. /27/ Section 5(g)(5) specifically requires the secretary to implement the provision through rulemaking. /28/ FNS's policy letter is therefore procedurally unlawful, as well as substantively erroneous. /29/

If FNS is asserting that something should be inferred from Congress's failure to designate the new inaccessible resources provision as part of section 5(g)(2), rather than as its own, new section, this argument is particularly meritless. Prior to 1990, section 5(g) was a single, unsubdivided paragraph. As part of the general housekeeping and codification that often accompanies a reauthorization, the 1990 Farm Bill numbered its sentences and set each one out as a separate paragraph. /30/ Congress's recodification of the then existing material in section 5(g) consisted simply of a numbering of its sentences. Since the new provision on inaccessible resources contained a new, complete sentence (indeed, two complete sentences), to throw this new provision into one of the paragraphs made from preexisting material would have been inconsistent with the principle of single-sentence paragraphs by which Congress was recodifying section 5(g). /31/

The version of the provision approved by the House Agriculture Committee was substantially identical to the final version and contained no limitations on the kinds of resources affected. /32/ The subdivision of section 5(g) was added later, with no discussion indicating that it was intended to change the section's meaning in any way. The Congressional Budget Office's (CBO's) cost estimate, published with the committee's report, does not discuss this section specifically but does note, after separately describing a provision of the law that raised the $4,500 fair market value threshold for nonexempt vehicles, that the Farm Bill's nutrition title "would make numerous other food stamp changes, adding costs...[and that]...these costs result from...[several provisions including] the exclusion of certain vehicles." /33/ The numbering of the sentences in section 5(g), making it easier to cite, was obviously a part of the Agriculture Committee's overall "housecleaning" of the Food Stamp Act during its reauthorization. Something similar was done, for example, to the previously convoluted section 6(e). /34/ Absent clearly articulated congressional intent to the contrary, no substantive intent should be inferred from recodifications of this kind:

Inasmuch as the function of a code is principally to reorganize the law and to state it in simpler form, the presumption is that a change in language is for purposes of clarity rather than a change in meaning. In order to achieve clarity, it is frequently necessary to recast large numbers of sections and rearrange their sequence in order to form a unified and consistent chapter. . . . The disclosure of a changed intention must be clear for it is presumed that if the language used in the code fairly admits of a construction consistent with the old law it was not the legislature's intent to change the meaning of the law through a revision. . . . /35/
In cases such as this, in which benefits under a remedial statute are at issue, ambiguities will be resolved in favor of the intended beneficiaries, without regard to an adverse agency interpretation. /36/ Because the Food Stamp Act seeks to relieve the hungry and the poor in America, it "should at all times be liberally interpreted so that the undesirable social effects resulting from the neglect of the poor may be eliminated." /37/

IV. Standard for Considering Resources Inaccessible

The most logical standard to apply in determining whether the sale of a resource is likely to produce a "significant amount of funds for the support of the household" is the one that the Food Stamp Act already applies to determine whether households' resources are significant: the general resource limit itself. Congress has spoken about the resource limits in very much these terms--as thresholds beyond which a household's resources are considered "substantial"--when it stated that "[t]he purpose of the program's resource rules is to limit food stamps to those who really need them. They ensure that the Federal Government does not provide food assistance to households with substantial resources." /38/ The House Agriculture Committee's report accompanying the legislation that established the current limits described them as "stringent assets limitations." /39/ As far back as the original Food Stamp Act of 1977, Congress saw the asset ceilings as identifying and "limiting participation to households in need of food assistance" because they had too few resources to feed themselves. /40/

Under the above approach, a state would therefore consider a resource "inaccessible" if the household's equity in the item is less than the food stamp resource limits: $2,000 for most households, $3,000 for those with an elderly member. /41/ For example, if a household had an item with a fair market value of $10,000 but still owed $9,000 to the finance company, the household's equity would only be $1,000. The item would then be excluded because it could not be sold for a significant return. If the household owed only $7,000, however, the new exemption would not apply, and the household would be ineligible for food stamps based on the fair market value of the item.

This approach has the virtue of administrative simplicity since state agencies already use these figures when evaluating households' overall resource eligibility. Applying these definite figures, which have their origins in the Food Stamp Act, could avoid pointless litigation over what constitutes a "significant return" in each individual case. Discussions with members of the state administrator and advocate communities suggest that this approach would have wide appeal.

FNS's proposed rules lend credence to this concept: they would have excluded a resource only if its expected (gross) sale price was $2,000 or less, and the cost of selling the resource were at least 75 percent of the expected sale price. /42/ This does, in general, support the principle that the resource limit (typically $2,000) fairly reflects what constitutes a "significant return." The other aspect of the proposed rule--its focus on gross cost rather than the household's equity--is plainly inconsistent with congressional intent to
avoid forcing households to sell resources when the sale would not remove the household's need for food assistance. /43/ Many people laid off during the recession may have cars in which they have little equity but which they will need if they are to go back to work. Congress added section 904 of Pub. L. No. 102-237 specifically to override this aspect of the proposed rules and to ensure that resources in which households do not have substantial equity would be excluded. FNS's all-region memorandum acknowledges that "significant changes to [its proposed rule] were warranted," and states that the proposed rule would be reformulated and reproposed.

V. Protecting the Recently Unemployed

Preventing the food stamp asset rules from denying benefits to the recently unemployed has long been a concern for Congress. In writing the Food Stamp Act of 1977, the House Agriculture Committee stated that it sought to "provid[e] access to the food stamp program to the small businessman who has fallen on hard times or has become temporarily disabled with little or no income." It sought to prevent these people from having to sell property that they need to return to work "in order to become eligible and, thus, be forced to become almost a permanent ward of the state simply in order to be able to eat." /44/ In 1985 Congress waived "[t]he rule in existing law that food stamp assets limitations may not be changed from those set forth in the regulations in effect as of June 1982 . . . to the extent necessary to allow the Secretary to revise current regulations dealing with 'inaccessible' assets . . . so as to ensure that property formerly excluded as income-producing property will continue to be excluded as an asset to the extent that an encumbrance such as a lien prevents its disposal. . . ." /45/

In the current recession, unemployed workers with cars having relatively high fair-market values, but low equities, are in dire need of food assistance. Under previous Food Stamp Program rules, these workers' families were ineligible unless they sold the vehicles they needed to return to work, again forcing them "to become almost a permanent ward of the state simply in order to be able to eat." The 1990 Farm Bill's inaccessible-resource provision fits perfectly into the program's tradition of protecting the recently unemployed. It makes the Food Stamp Program's resource rules fair to a small, but important, segment of legitimately low-income people with resources that would not, as a practical matter, make sense to have to sell. No useful purpose has ever been served by excluding these persons from the Food Stamp Program. It is fortunate that Congress has taken appropriate corrective action. This provision should be given the full effect that Congress intended in order to ensure that these workers' families, and other households with similar resources, receive the food assistance that they need.

footnotes
/1/ Food and Nutrition Service (FNS), USDA, Memorandum to Regional Administrators (Dec. 27, 1991).

/2/ Pub. L. No. 101-624, Sec. 1719(1).

/3/ Id.; 7 U.S.C. Sec. 2014(g)(5).


/5/ See id. Sec. 904, 105 Stat. 1884-85.


/9/ Memorandum from Andrew P. Hornsby, Jr., to All Regions, FNS, USDA (Jan. 31, 1992).

/10/ 7 U.S.C. Sec. 2014(g)(2).


/15/ 73 AM. JUR. 2d Statutes Sec. 235; 82 C.J.S. Statutes Sec. 348, at 729.

/17/ See, e.g., 7 C.F.R. Sec. 273.8(c)(2).

/18/ 7 C.F.R. Sec. 273.8(e).

/19/ FNS Food Stamp Program Policy Memo 79-29 (Dec. 15, 1978) (applying 7 C.F.R. Sec. 273.8(e)(5) exclusion to the licensed vehicles of a farmer).


/21/ Id.


/25/ Letter from Robert J. Fersh, FRAC executive director, to Catherine Bertini, assistant secretary of agriculture, 1 (Nov. 8, 1991) (on file with FRAC).

/26/ Congress had adjourned when the President acted. He therefore could have killed the legislation by simply declining to act for ten days.

/28/ Id.; see also Pub. L. No. 101-624, Sec. 1781(a), 104 Stat. 3817.


/30/ Similar redesignations were accomplished elsewhere in the Food Stamp Act. See, e.g., 7 U.S.C. Sec. 2015(e).

/31/ Also, inserting the new inaccessible-resource provision into section 5(g)(2) would have made it applicable only to vehicles, which Congress manifestly did not intend to do. Congress made the new provision applicable to vehicles of all kinds by giving the provision its own subsection.


/33/ H.R. REP. No. 569, pt. 1, 101st Cong., 2d Sess. 899-900 (July 3, 1990). Another section of the law would have excluded vehicles used to haul fuel or water, but if that had been the only section to which CBO was referring, one might expect CBO to have named the section specifically.

/34/ 7 U.S.C. Sec. 2015(e).

/35/ 1A SINGER, SUTHERLAND STATUTORY CONSTRUCTION Sec. 28.11, 485 (4th Ed. 1985).


/37/ 3A SINGER, SUTHERLAND STATUTORY CONSTRUCTION Sec. 72.01 (4th Ed. 1985).


/41/ 7 U.S.C. Sec. 2014(g)(1).


