



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

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Joint Committee on Finance

Paper #160

Food Security and Food Waste Reduction (Agriculture, Trade and Consumer Protection -- Agricultural Assistance)

[LFB 2021-23 Budget Summary: Page 56 and 62, #1 and #7]

CURRENT LAW

Feeding Wisconsin, the statewide affiliate of the national food bank organization Feeding America, comprises six regional food banks in the state. Food banks are nonprofit organizations that collect food and distribute donated food to local food pantries or similar organizations. Food pantries in turn distribute food or meals to persons in need. Food banks, as charitable organizations, are barred by federal law from selling or transferring donated food in exchange for money, property, or services.

The Wisconsin Community Action Program Association (WISCAP) provides support to 17 community action agencies and partnering organizations to coordinate distribution of federal commodities to food pantries or other organizations that disperse food to low-income individuals to alleviate hunger. Federal food commodities are provided under the federal Emergency Food Assistance Program (TEFAP), which allocates surplus commodity food purchased by the U.S. Department of Agriculture (USDA) to states. WISCAP reports that in 2020, Wisconsin's network of 350 food banks, food pantries, meal sites, and shelters distributed 35 million pounds of TEFAP commodities worth \$34 million, serving an estimated 170,000 people in Wisconsin each month.

The federal supplemental nutrition assistance program (SNAP), known as FoodShare in Wisconsin, provides federally-funded benefits to low-income individuals and families to buy food from participating retailers. In general, individuals qualify for FoodShare if they have gross incomes below 200% of the federal poverty line (\$53,000 annually in 2021 for a household of four). In 2019, approximately 840,000 individuals received a total of approximately \$774 million in federal assistance under the FoodShare program.

DISCUSSION POINTS

A. Food Security Grants

1. Assembly Bill 68/Senate Bill 111 would create a biennial appropriation and provide \$10,000,000 GPR each year for grants to nonprofit food assistance organizations to support purchase of food products made or grown in Wisconsin. Eligible organizations would include food banks, food pantries, and other organizations that provide food assistance. The bill would authorize DATCP to promulgate rules to administer the program, including issuing an emergency rule while a final rule is being promulgated.

2. Under the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act, Wisconsin was provided \$2.0 billion in direct payments to support the state's response to the COVID-19 pandemic, including costs related to public health response and emergency operations, economic relief and support, education, and essential government operations. The Governor allocated \$25 million of this funding for the Food Security Initiative, which supported: (a) infrastructure improvements and operational costs at food assistance organizations, such as curbside pick-up or delivery services, additional food processing and packaging, increased cleaning, facility improvements to increase storage capacity, and other costs related to the COVID-19 pandemic; and (b) purchase of Wisconsin agricultural products for distribution to Wisconsin residents facing food insecurity. Approximately \$7 million supported infrastructure and operational costs at 17 food assistance organizations. The remaining \$18 million supported purchase of approximately 10 million pounds of food for distribution to those in need. The following table shows purchases of food supported by the initiative by type.

Food Security Initiative Purchases

<u>Category</u>	<u>Amount</u>
Meat and Fish	\$6,866,100
Dairy	5,794,800
Pantry, Shelf-Stable, and Prepackaged Food	3,934,500
Frozen Food	908,700
Eggs	284,300
Fresh Fruit and Vegetables	<u>272,400</u>
Total	\$18,060,800

3. DATCP reports it would administer the proposed food security funding similarly to funding provided under the CARES Act. DATCP administered CARES Act Food Security Initiative funding with two limited-term employees (LTEs) and existing permanent staff, and intends to support proposed funding with similar LTE staffing and existing permanent staff. Funding would support Wisconsin residents facing food insecurity, and eligible expenses would include: (a) purchases of food from Wisconsin farms, food processors and manufacturers, food retailers, and food distribution businesses; (b) food production projects that reduce and redirect food waste; (c) coordination efforts to simplify sourcing and delivery of food products to food assistance organizations; and (d) projects

to support distribution and processing of surplus food production for donation to food assistance organizations.

4. CARES Act funding was provided to support response to the public health crisis and increase in unemployment. Food insecurity and resulting demand for food assistance grew significantly during the COVID-19 pandemic. Based on U.S. Census Bureau data, Feeding America, which operates locally as Feeding Wisconsin, estimates approximately 9.1% of Wisconsinites (equal to 530,000 individuals) faced food insecurity in 2019. In 2020, Feeding America estimates approximately 11.7% of Wisconsinites (680,000) faced food insecurity. Further, Second Harvest, a food bank operating in 16 counties in east and southeast Wisconsin, estimates it provided an average of approximately 49% more food by weight each week from March 15, 2020, through May 1, 2021, relative to the period from March, 2019, through February, 2020.

5. In February, 2020, Wisconsin's unemployment rate, as reported by the federal Bureau of Labor Statistics, was estimated at 3.2%. This rate increased to 14.8% (equal to 453,000 individuals) by April, 2020, and has declined since that time to an estimated 3.8% (117,000) as of March, 2021. Given the resulting economic recovery in the aftermath of the COVID-19 pandemic, the Committee could consider providing a lesser amount of funding, reflecting a smaller population of individuals potentially facing food insecurity.

6. The federal American Rescue Plan Act of 2021 (ARPA) provides \$2.5 billion in direct payments to Wisconsin. On May 10, 2021, the U.S. Department of Treasury indicated that funds may be used for economic support activities to households facing food, housing, or financial insecurity resulting from the COVID-19 pandemic. Thus, it is expected ARPA funding could be allocated to support additional food security activities, although funding would not be available for ongoing allocation and would need to be committed by December 31, 2024.

7. Given that food insecurity affects approximately 10% of Wisconsinites, it could be considered appropriate to provide funding for the purchase and distribution of Wisconsin agricultural products to food assistance organizations. The Committee could consider providing \$10,000,000 GPR each year for this purpose [Alternative A1]. Given the ongoing economic recovery, the Committee could also consider providing \$2,000,000 GPR each year for food security grants [Alternative A2]. Considering the first-time nature of the program, funding could be provided on a one-time basis during the 2021-23 biennium, and subsequent allocations could be considered during 2023-25 budget deliberations [Alternative A3]. Given existing food assistance programs administered by the federal government, and the availability of federal funding under ARPA to support additional food security funding, the Committee could consider taking no action [Alternative A4].

B. Food Waste Reduction Grants

8. AB 68/SB 111 would create an annual appropriation and provide \$100,000 GPR each year for food waste reduction grants. The bill would require DATCP to provide grants for projects that seek to reduce or compost food waste and redirect food supplies to hunger relief organizations. DATCP would be required to give preference to proposals serving census tracts lacking a grocery store and that have a median household income below the state median (estimated at \$61,700 in 2019). Finally, the bill would authorize DATCP to promulgate rules to administer the program.

9. Consideration has been given in recent legislative sessions to provide funding to organizations providing food assistance in Wisconsin to support the donation of excess or unmarketable products to food banks from farms or food processing facilities. 2019 AB 540/SB 490 and 2017 AB 577/SB 487, known as "harvest for hope" bills, would have provided funding of \$250,000 GPR each year to be provided as a grant to a statewide food bank association, specifically including Feeding Wisconsin and WISCAP, to cover costs related to harvest or transport of surplus dairy, produce, crops, or other food products for donation to food assistance organizations. Among other provisions, the bills (which had bipartisan sponsorship) would have limited reimbursement to farms or food processors in Wisconsin, and for products from farms or facilities in Wisconsin. The bills would have also required \$1 in private donations for each \$1 in provided state funding, and would have prohibited grantees from charging any fees to food banks or emergency feeding organizations receiving food under the program. The bills also intended for funding to last no more than five years.

10. In certain instances, economic conditions may discourage farmers from harvesting a surplus production of their crop due to lack of available markets or cost-prohibitive harvest and transportation costs. In these instances, a harvest for hope grant would defray costs of harvest, processing, or transport of agricultural commodities so that they may be provided to those facing food insecurity. Eligible expenses under the proposed harvest for hope bills would include: (a) reimbursement of farms and food processing facilities for costs related to harvesting, packaging, transporting, or donating products; (b) processing of donated food products into nonperishable form; (c) transport and storage of donated products; and (d) administrative expenses.

11. USDA estimates approximately 31% of the U.S. food supply is lost each year to food waste. Such waste includes post-harvest spoilage, inefficient processing, inappropriate storage or transportation, unsold food in retail settings, losses during food preparation, and excessive portion sizes. DATCP suggests that food waste reduction grants could support projects to reduce food waste, such as: (a) training grocery store employees to identify and redistribute food at risk of waste; (b) training for food service workers to reduce waste during preparation; (c) development of practices to reduce supply chain losses and optimize allocation of food in response to changes in demand; and (d) other pilot projects for innovative practices reducing food waste. As proposed in AB 68/SB 111, food waste reduction grants could also support efforts to harvest or process surplus produce or other agricultural commodities, as under proposed harvest for hope bills.

12. Given the high rate of food waste, and potential to capture surplus agricultural production for distribution to those facing food insecurity, the Committee could consider providing \$100,000 GPR each year to create a food waste reduction grant program as proposed under AB 68/SB 111 [Alternative B1]. The Committee could also consider providing \$250,000 GPR each year to create a harvest for hope grant program, under which DATCP would make grants to food assistance organizations that dispense food to low-income individuals to alleviate hunger to support costs related to the harvest, transportation, processing, distribution, and storage of surplus agricultural products, and require an equal recipient match to grant funding [Alternative B2]. Considering the first-time nature of such a program, the Committee could provide funding on a one-time basis during the 2021-23 biennium [Alternative B3]. Given existing federal programs for distribution of surplus agricultural commodities, the Committee could also consider taking no action [Alternative B4].

ALTERNATIVES

A. Food Security Initiative

1. Create a biennial appropriation and provide \$10,000,000 GPR each year for grants to nonprofit food assistance organizations to support the purchase of food products made or grown in Wisconsin. Authorize DATCP to promulgate rules to administer the program, including issuing an emergency rule while a final rule is being promulgated. Allow the emergency rule to be issued without the finding of an emergency, preparation of a statement of scope, or submittal of a final draft rule to the Governor.

ALT A1	Change to Base
GPR	\$20,000,000

2. Create a biennial appropriation and provide \$2,000,000 GPR each year for grants to nonprofit food assistance organizations to support the purchase of food products made or grown in Wisconsin. Authorize DATCP to promulgate rules to administer the program, including issuing an emergency rule while a final rule is being promulgated. Allow the emergency rule to be issued without the finding of an emergency, preparation of a statement of scope, or submittal of a final draft rule to the Governor.

ALT A2	Change to Base
GPR	\$4,000,000

3. Specify that funding be provided on a one-time basis during the 2021-23 biennium. (This alternative could be selected in addition to A1 or A2.)

4. Take no action.

B. Food Waste Reduction Grants

1. Create an annual appropriation and provide \$100,000 GPR each year to create a food waste reduction grant program. Require DATCP to provide grants for projects that seek to reduce or compost food waste and redirect food supplies to hunger relief organizations. Require the Department to give preference to proposals serving census tracts lacking a grocery store and that have a median household income below the state median. Further, require DATCP to promulgate rules to administer the food waste reduction grant program.

ALT B1	Change to Base
GPR	\$200,000

2. Create an annual appropriation and provide \$250,000 GPR each year to create a grant program under the provisions of 2019 Assembly Bill 540 / Senate Bill 490. (This would require DATCP to provide grants following a request for proposal process to a statewide food bank association that dispenses food to low-income individuals through food banks or emergency feeding organizations to alleviate hunger to support costs related to the harvest, transportation, processing, distribution, and storage of surplus agricultural products.) Require an equal recipient match to grant awards, and require DATCP to promulgate rules to administer the harvest for hope grant program.

ALT B2	Change to Base
GPR	\$500,000

3. Specify that funding be provided on a one-time basis during the 2021-23 biennium. (This alternative could be selected in addition to B1 or B2.)

4. Take no action.

Prepared by: Rory Tikalsky