



2019 Legislative Issue Paper

The American Commodity Distribution Association (ACDA) is a non-profit professional association, whose members include state agencies that distribute USDA Foods; agricultural organizations; recipient agencies, such as schools; industry groups, such as food manufacturers and processors; and allied and agriculture organizations, such as nonprofit anti-hunger groups and growers' associations. In 2018, ACDA members assisted in the distribution of nearly 2.3 billion pounds of domestically produced commodities valued at more than \$2 billion to programs including the National School Lunch and Breakfast Programs, the Emergency Food Assistance Program, the Summer Food Service Program, the Commodity Supplemental Food Program, and the Child and Adult Care Food Program. This volume is even greater compared to past years with the addition of commodities purchased as part of the trade mitigation program.

ACDA looks forward to continuing work with the 116th Congress to make responsible improvements in Child Nutrition Programs. ACDA also appreciates the many improvements in Farm Bill household programs and USDA procurement, included in HR 2, the Agriculture Improvement Act of 2018.

ACDA respectfully offers the following recommendations:

Consequences of Government Shutdown

ACDA sincerely appreciates all the efforts made by the Food and Nutrition Service (FNS) and the Agricultural Marketing Service (AMS) during the shutdown of the federal government. ACDA members have expressed several concerns regarding recovering from this event, including:

- The need for replacement of canceled trucks, particularly those for several protein products.
- ACDA industry members who hold National Processing Agreements have the potential to incur great hardship due to any Federal Government shutdown.
- The disruption of the flow of raw material, despite substitution plans held by a select few processors, can lead to sporadic availability of finished goods. All processors would be greatly impacted in the event future loads of raw material are canceled or delayed beyond the given school year. Processors could be at great financial risk if loads are cancelled and they are practicing a common business practice known as “front loading”. This is a practice discouraged by USDA, but widely practiced nonetheless. This experience could result in fewer companies willing to bid on contracts, risking higher costs for goods delivered.
- All nationally approved processors work very closely with FNS members in the Program Integrity and Monitoring Branch and Child Nutrition Operations Branch not only in securing raw material to fill finished goods orders, but in the matter of general guidance

as it relates to processing. When agency personnel are not able to respond, with guidance, industry will make the best decisions it can to provide product. But this may result in an increase in selling finished goods not containing USDA Foods.

Child Nutrition Programs

Strengthen the important role of USDA Foods in the school meal programs. USDA Foods have a dual role – supporting the domestic agricultural economy while at the same time providing nutritious food to school children and needy Americans. To strengthen the role of USDA Foods in the school meal programs and to improve the operation of USDA purchasing programs, Congress should:

- **Publish the per meal commodity rate for the upcoming SY by February 15** - ACDA urges that the modification to publishing the commodity rate included in Section 103 of both S. 3136, the Improving Child Nutrition Integrity and Access Act of 2016 (the Senate bill), and HR 5003, the Improving Child Nutrition and Education Act of 2016 (both from the 115th Congress) be made as soon as possible. State Agencies are routinely ordering USDA Foods in April and May, well in advance of the new school year. The per meal commodity support levels are often not finalized until the school year has begun, complicating the administration of the program. Providing the per meal commodity rate by February 15 will facilitate placing accurate orders and ensure full and proper use of available resources.
- **Provide 6¢ entitlement for USDA Foods for every breakfast served** – ACDA supports H.R. 3738 (115th Congress), the *Healthy Breakfasts Help Kids Learn Act of 2017*, to provide an additional 6 cents in commodity support for the School Breakfast Program (SBP). The provision of breakfast commodity assistance is a top priority for both professional associations and has been for many years.
- **Ensure that 12% of school lunch support comes in the form of commodities** - ACDA appreciates and supports the strong repetition of this 12% requirement in Section 103 of both the Senate and House bills, and the requirement that the Secretary shall, to the extent necessary, use the authority provided under section 14(a) of the Richard B. Russell National School Lunch Act to meet the requirements for the school year.
- **Oppose Block Grants** - ACDA opposes the conversion of the National School Lunch and Breakfast Programs to a block grant. Block grants likely cap resources available to states for school meal programs. Under a block grant, States would no longer be able to receive additional resources should the need for free and reduced-price meals increase during a school year or in the future. States would no longer get additional resources resulting from annual increases in meal reimbursement rates. It is also unclear as to what access block granted states may have to both USDA Foods and the various bonus food items that USDA may provide from time to time. ACDA is concerned that block grants could result in the loss of access to healthy USDA Foods, have negative impacts on the ability to run school meal programs in a cost-effective manner, and could bring about even more students being cut from free and reduced meal service. Industry would also be adversely affected by the cost and difficulty of accommodating fifty different state standards.
- **Include distribution of USDA Foods in the State Administrative Formula (SAE), dedicating this resource specifically to support state distribution** - Section 203 of the Senate bill requires the Secretary to conduct a study to evaluate the effectiveness of the amount and allocation of State administrative expenses, and requires a report to Congress no later than September 30, 2019. While USDA provides limited guidance to States for allocating some of their administrative funds to distributing USDA Foods, and has made meaningful modifications to 7 CFR 250, both the allocation and administration are inconsistent among the

States. FNS established an information collection regarding the proposed study “Assessing the Child Nutrition State Administrative Expense Allocation Formula” (in the Federal Register on Wednesday, June 7, 2017. In response, ACDA surveyed its membership and offered recommendations for a similar survey of all states in addition to the FNS proposed specific case study of 12 states. ACDA did a further survey in response to the July 30, 2018 Federal Register notice, and responded on September 28, 2018.

- **Fruit and Vegetable Snack Program** - ACDA continues to support emphasizing the importance of fruits and vegetables in all forms – fresh, frozen, canned and dried – as noted in the *2015-2020 Dietary Guidelines for Americans*. Increasing flexibility to program sponsors in planning menus that meet high nutrition standards but still are within cost targets is of critical importance. ACDA believes that the Buy American requirements imposed on school meals should also apply to the Fruit and Vegetable Snack Program.
- **Summer Food Service Program Commodity Rate** - As a matter of policy, USDA provides 1.5 cents in commodities per Summer Food Service meal served. Given that this rate has not changed since its inception many years ago, ACDA again urges this rate be reviewed and increased to a more reasonable level reflecting increased meal costs.

Appropriations

Strengthen and Expand The Emergency Food Assistance Program (TEFAP) and the Commodity Supplemental Food Program (CSFP). ACDA supports using household programs to help alleviate food insecurity.

- **Fully fund TEFAP operating expenses** - Section 204(a)(1) of the Emergency Food Assistance Act of 1983 (7 U.S.C. 7508(a)(1)), as amended, authorizes \$100 million each year for local TEFAP operations. ACDA appreciates the increase to \$79,630,000, provided for FY 2019 in the conference agreement, and supports maintaining this level as part of the FY 2020 Appropriations bill.
 - While ACDA appreciates that up to \$50 million will be available nationally to support TEFAP ERA operational expenses associated with Trade Mitigation Program foods, the administration of these funds outside of the normal grant process is creating difficulties in some states and needs to be resolved.
 - ACDA also recommends that with the increase in perishable bonus (milk ,cheese, fish, pork) and trade mitigation product USDA consider equipment grants for food banks, like those provided for school districts.
- **Continue sufficient funding for the Commodity Supplemental Food Program (CSFP), including program expansion** - ACDA supports sufficient funding to allow for continuation of all programs, plus an anticipated new program in Alabama that would make CSFP available in all fifty states, along with two additional Tribal Organizations.