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United States Senate

COMMITTEE ON FINANCE

WASHINGTON, D.C. 20510

September 19, 1983

TO: Senator Dole

FROM: George Pieler

SUBJECT: Safeway Speech

The Safeway people expressed an interest in several specific issues:

• Architectural barriers. Safeway is interested in the possibility of restoring (or expanding on) the deduction for removing architectural or transportation barriers to the handicapped. Your bill, S. 120, would restore the deduction at its old limit ($25,000) for a period of two years, giving the Congress time to determine whether the deduction should be made permanent or expanded or modified in some way. A hearing on S. 120 will be held in the Subcommittee on Taxation at 9:30 on Monday, September 26.

Last December the Senate approved an amendment to the gas tax bill that would have extended for one year the deduction for up to $25,000 of expenses incurred for the purpose of making facilities or vehicles more accessible to the handicapped. That amendment was rejected in conference with the House, so the provision expired at the end of the year.

In the 97th Congress you had a bill to increase the deduction to $100,000 and make it permanent. No hearings were held.

• Food banks. Safeway also is interested in food bank programs, and another bill scheduled for the September 26 hearing deals with the issue. The bill is S. 1826, introduced by Senator Danforth, and it expands the present special deduction allowing a deduction in excess of the taxpayer's basis in the property for contributions of inventory, e.g. foodstuffs, made by corporations to charitable organizations. The deduction would be expanded to make governmental organizations eligible as 'charitable' organizations; in the case of contributions of food, make the deduction available to non-corporate taxpayers (individuals, cooperatives); and allow the deduction to cover transportations services for moving contributed inventory to the point of need.

Also attached are further materials prepared by Chris Bolton and John Gordley.

Diplomat Rm

OUTLINE OF REMARKS

SAFEWAY STORES

September 20, 1983

8:00 a.m. - Shoreham Hotel

I. The Need for a Budget Summit

A. Many of you may know that I called the First Concurrent Budget Resolution a dead cat. Very little has changed in recent weeks. In my view, the budget process will not be resurrected and the economic recovery secured until our leaders, from the President and the Congress to our State and local officials and business and civic leaders, pull together in order to safeguard the domestic economy. We cannot allow progress toward recovery to lull us into acquiescence.

B. That is why I have called for a budget summit and one where the President plays a key role. Just as Congress must put spending in order, the President must make clear his priorities on the budget. We need his leadership and his approval, because we know he can get the job done. He has done it before: all he needs is a clear sense of purpose.

C. The summit concept will have to begin with the President and with the Congress, but it should not stop there. All decision-makers in our economy, including business and labor, have a vital stake in what happens. We cannot please everybody, but only if we agree on the absolute priority of cutting the deficit in a way that advances our shared economic goals will we have a fighting chance to succeed. We cannot tax our way out of recession, and we cannot devastate the social and benefit programs that so many Americans depend on. But we can make adjustments on both sides of the ledger that boost the odds in our favor.

II. The Economy

A. Prognosis. We have to realistically assess the state of the economy and the prospects for the next few years. Recovery is well under way, and the groundwork has been laid for stable and lasting growth without renewed inflation. It is absolutely crucial that we proceed with care at this point, and not throw away the gains already made.

No one should doubt that we are making progress. The GNP for the second quarter of 1983 shows growth at a 9.2 percent rate: The greatest quarterly expansion since 1975. The index of leading economic indicators has jumped 11 months in a row. Industrial output rose 2.1 percent in April; the highest monthly rise in 8 years, 1.2 percent in May, 1.0 percent in June, and 1.8 percent in July. Economists agree we are in a broad based recovery.

1. Inflation was cut to 3.9 percent in 1982, from 12.4 percent in 1980. This is the lowest inflation rate since 1972. Consumer prices rose just 2.4 percent in the 12-month period ending July 1983, the lowest since 1966. Inflation in 1983 so far is running at annual rate of 3.2 percent. Even with an upward "blip" in producer prices, the inflation picture remains very good. Labor productivity rose 5.7 percent in the second quarter, contributing to further progress on inflation.

2. Interest rates are down. Although the prime rate is at 11 percent, it is still way down from the 21 percent that prevailed when President Reagan took office. Home mortgage rates are down since last year. Long-term rates for business loans are off about 3 points from a year ago.

3. Lower taxes with major improvements in tax equity will help buoy the recovery, both on the consumer side and on the investment side. The combined effect of the 1981 and 1982 tax bills has been to lower individual taxes over 3 years by $344 billion, as well as improve compliance and tax fairness. Lower individual rates boost personal income and restore incentive, while favorable capital cost recovery rules should spur investment.

4. Housing starts are up. At an annual rate of about 1.7 million in June and July, down slightly from May, new housing starts are the highest in 3 years.

o Sales of new one-family houses in June were at an annual rate of 638,000. While this is slightly below the May rate, it is up 73 percent from a year ago. Following a surge in the latter half of 1982, sales activity has moderated in the last 6 months.

o During the first 6 months of 1983, 326,000 houses were sold, up 68 percent from same period in 1982. About 56,000 new houses were sold in June.

B. Unemployment. The July unemployment rate fell from 10.0 percent to 9.5 percent, the largest monthly decline since December 1959. Total civilian employment now stands at 101.6 million, the highest level in our history. These figures indicate that the recovery is anything but anemic. According to Janet Norwood, Commissioner of the Bureau of Labor Statistics, the growth in employment at this point in the recovery is stronger than in any of the previous six recoveries. The number of unemployed has declined by 1.3 million since December 1982.

o High unemployment has to come down and stay down without inflationary stimulus--that is what we have failed to do in the past. Clearly there is a bipartisan consensus for more jobs. But resuming the inflationary policies of the past will not create lasting jobs, just an illusion of prosperity that leaves us worse off the next time we try to get "off the wagon."

o That means the most important thing we must do is judge carefully the degree of stimulus the economy can and should take, consistent with a firm anti-inflation policy. The Federal Reserve will play a key role, and has already shown a willingness to adjust its short-term goals based on its assessment of the economy. We will not allow the recession to continue, but we will not reinflate the economy, either.

In addition, constructive steps have been taken:

- A new Federal supplemental unemployment compensation program was passed with the 1982 tax bill, providing additional unemployment benefits to almost 3 million workers. This program will extend through September 30.

- The new Job Training Partnership Act emphasizes training for permanent employment rather than make-work jobs.

- The targeted jobs tax credit, which was extended for 2 years by the 1982 tax bill, gives employers an incentive to hire the disadvantaged--about 600,000 workers are certified under the program.

- The administration's enterprise zone legislation, which was approved by the Senate, could provide us with an experiment in private-sector job creation in depressed areas, through a combination of Federal tax incentives and State and local efforts to target an area for development with regulatory and tax relief, neighborhood participation, and capital and other improvements. House hearings have been promised.

C. The Deficit and Interest Rates.

1. All our economic difficulties are, of course, related--high interest rates and slow growth boost the deficit, and higher deficits create greater uncertainty in the business community as to our future course; will there be more inflation, or less credit available for business expansion?

2. Because of this, it makes sense first of all to chart a path that is most likely to bring stable growth without inflation. Higher growth boosts revenues and cuts unemployment costs, thereby reducing the deficit as well: already, upward revisions of growth estimates are being made in light of our economic progress and indications of further improvements.

3. Continued efforts to restrain the deficit by controlling Federal spending will give the Federal Reserve a bit more room to accommodate the potential for real growth that exists in the economy without inflationary pump-priming. But restraint in both fiscal and monetary policy is crucial if we want to maintain long-term confidence in the economic program. The reappointment of Chairman Volcker at the Federal Reserve is a good move towards maintaining public confidence.

III. The Budget Resolution

A. Conference Agreement. The conferees on the budget resolution tried hard to reach a reasonable agreement, but it is not clear that the result is the best way to reduce the deficit, or even that it will bring significant deficit reduction. Of the proposed deficit-reduction measures, 88 percent is within the jurisdiction of the Finance Committee--and 86 percent is due to proposed tax increases, not to spending restraint. The resolution proposes a $73 billion tax increase over three years, $12 billion in 1984, $15 billion in 1985, and $46 billion in 1986.

B. Real Choices. Because so much in the way of spending programs is left out-of-bounds, the real choice proposed for us is to raise taxes or accept for now the high deficits that result from our spending decisions. That is not an agreeable choice to make, particularly when the budget resolution provides a so-called "contingency fund" to allow for new spending if Congress decides it is needed--to the tune of $8.5 billion. In addition, this puts the Budget Committee in the position of determining specific spending policies, not just overall targets.

C. Implementation. One relevant question in evaluating the budget agreement is whether the votes exist to implement it. Many members who supported the resolution might not be as willing to vote for the tax increases needed to implement the conference agreement. If so, it does not help financial markets to propose a resolution that will not be acted on in any event.

D. Domestic spending. While we cannot let the burden of deficit reduction fall on benefits for lower-income Americans, we should not assume that domestic spending is untouchable. Even the budget conferees agree that, for example, Medicare is a proper source for savings. Certainly we have to acknowledge that Federal health program costs are out of control, and that changes are very much in order. (The resolution proposes about $1.7 billion in Medicare savings). If the contingency fund is included, domestic spending would be up $10 billion next year.

E. Alternatives. Even if we fail to implement the resolution, that does not mean the fight against the deficit is over. I have proposed that we try to work out a $70-$80 billion deficit reduction package, balanced between spending and revenue changes, and will try to work towards some common ground with Chairman Rostenkowski.

IV. Taxes: Third Year and Indexing

A. The President has said time and time again that he will fight to retain tax indexing, and many of us will continue to support him, even if a veto is required. Thirty-four Senate Republicans and 146 House Republicans have signed letters to that effect. The reasons are quite simple: these measures are good for the economy, they are fair, and they give long-needed real tax relief to the hard-pressed middle income American.

B. Third year. Why was the third year of the 1981 tax cuts so important? First, most economists agree that the timing of this last stage of President Reagan's individual tax program is excellent in terms of giving the economy a boost on the consumption side as we emerge from recession. This is a sharp contrast with the past, when tax changes to counter recession were too little and too late.

Equally important, the third year was needed in the interest of fairness. Only the third year gives a full measure of tax relief to working people. For taxpayers with incomes $10,000 or less, repeal of the third year means a tax increase averaging 13.9 percent. For those between $20,000 and $30,000 in income it means a 12 percent jump in taxes. 72 percent of the benefit goes to Americans making $50,000 or less.

In dollar terms, repealing the third year would have cost a taxpayer at $15,000 income $112 in FY 1984; at $20,000 income, it would cost $203 in 1984; at $30,000 income, taxes would be $410 higher in 1984.

C. Indexing. Indexing is crucial not just because it provides tax relief, but because it insures truth in government: tax changes will have to be voted on openly and directly, rather than having Congress rely on inflation to raise revenues through the deception of bracket creep. Whatever attitude you take on the question of generating new revenues, it makes sense to keep indexing in place.

In addition, indexing is an important symbol of our commitment to fight inflation. Repealing it only generates significant revenues if you assume inflation will persist at fairly high levels. If we de-index, we send a signal that we are not committed to beating inflation--and that means bad news for financial markets, for interest rates, and for consumers and investors alike.

Finally, the tax relief provided by indexing is real and sustained. Indexing means $98 billion in tax relief between 1985 and 1988, assuming modest inflation. $78 billion of that goes to taxpayers earning under $50,000. This group now pays about 66 percent of taxes, but will get 80 percent of the benefit--proving that indexing is a truly progressive tax reform.

A median income family of four would pay $1,000 in additional taxes between 1985 and 1988 if indexing were repealed (assuming they earn $24,000 in 1982). Remember that consumers are homebuyers as well, and their after-tax income is as important as interest rates in determining whether they will buy.

V. Other Tax Issues

A. Mortgage Revenue Bonds. The Finance Committee held hearings on proposals to eliminate the scheduled sunset of single-family issues at the end of this year. Some continued availability of these bonds after this year is likely at least for lower-income single family housing. I have proposed legislation to give states the option to issue tax credits for first time home buyers, rather than issue mortgage bonds. The Finance Committee just held hearings, and the Treasury has indicated support.

B. Flat Rate Tax. The idea of a flat-rate or greatly simplified tax system continues to be quite attractivce, as we see continued taxpayer frustration with the complexity of our system and with the idea that special exemptions or credits enable the well-to-do to 'game' the system in their favor. Walter Mondale has endorsed the Bradley-Gephardt so-called "Fair Tax," so at least some believe the idea has political appeal.

The issues remain difficult to resolve, because any major changes in the tax burden or in basic tax incentives mean taking from one group and giving to another--always a tough thing for Congress to do. The Bradley proposal is a careful political compromise desigined to keep the most popular deductions and roughly duplicate the present distribution of the tax burden--but it is not clear whether this less-graduated system would stay that way (particularly when it is not indexed, and liable to bracket creep). What we need to do is continue to build towards consensus on a simpler system by better-informing the public and testing their attitudes. But everyone does seem to agree that we need to move toward lower rates and a broader base--the direction marked out by the 1981 and 1982 tax bills.

VI. Trade

A. Trade deficit is too large. The size of our trade deficit (which is now projected at $60 billion or more in merchandise trade and $30 billion in current account) alone means Congress will continue to look hard for ways to reform our trade policy. The system of multilateral arrangements has been called into serious question as many believe it fails to meet our needs. Many voters and members of Congress will want to see us approach more of our trade problems on a bilateral basis. The average American simply does not understand why Japanese cars and TV's sell well here but American cigarettes, beef, baseball bats, and cosmetics cannot be sold in Japan. Remedies for this type of situation are certain to be a major focus of attention in this Congress.

B. Export issues. Unfortunately, the GATT ministerial failed to make progress on the question of foreign subsidies for agricultural exports. This will continue if pressure from Congress to resolve this situation through negotiation or for other export promotion actions like the recent wheat flour sale to Egypt. S. 822, recently passed by the Agricultural Committee, would establish several export promotion activities.

I support efforts to equalize the rules under which trade is conducted. This does not mean trade war, but does mean seeking to expand East-West trade, developing a viable substitute for DISC, utilizing Ex-Im Bank resources more adeptly, and enacting the trade reciprocity bill that the Senate approved. Fair access to markets must be a two-way street, and Congress will be under considerable pressure to see that that is so.

C. Import issues. As you know, the House passed "local content" legislation at the end of the last Congress. That is a drastic proposal and likely to be counterproductive in the long run if our goal is to increase access to markets and to gain maximum benefit from the mutual advantages of international trade. There may be other areas, however, where we might make adjustments: in considering extension of the Generalized System of Preferences, there may be an interest on the part of some members of the Finance Committee to seek some reciprocal benefits from the major GSP beneficiaries. The enactment of the President's Caribbean Basin Initiative partly reflects the fact that those countries offer U.S. exporters a potentially strong market. It may be difficult to renew the President's general authority to negotiate tariff reductions on a limited basis. It is a good sign that the Japanese have agreed to continue voluntarily to restrain their automobile imports to this market for a third year until the domestic industry has had an adequate time to get back on its feet, although the question of whether there will be negotiations for a fourth year is a matter of concern.

D. Clearly the heat is on when it comes to seeing that American producers get fair treatment under our system of international trade. If we choose our battles carefully to secure an appropriate response from our trading partners, we have an opportunity to making trade freer and fairer, to the advantage of everyone. But we must avoid the two extremes of allowing the world to think only the U.S. will play by the rules of free trade, regardless of disadvantage to our citizens; or, on the other hand, taking extreme unilateral actions that may look good politically but that, in the long run, will provoke severe reaction and deprive us of market opportunities. We need just the right amount of leverage to open more doors, not have them slammed in our face.

VII. Conclusion

The months and years ahead must not be dominated by rigid ideologies on either side--but neither can the President or the Republican leadership be expected to cast aside the principles of Government the American people so soundly endorsed in 1980. Those principles--a more restrained Government, a freer economy, greater accountability to the American people--are as valid today as they ever were, and there is no indication that the people have changed their commitment to these same principles. Guided by these principles, we will try to work together to build on the sound foundation for recovery that has already been laid.

TALKING POINTS ON FOOD BANKS AND BANKERS CHARGING RETAIL GROCERY STORES FEES FOR HANDLING FOOD STAMPS

- At a time when increasing numbers of Americans are in need of food assistance, food banks serve as a valuable interface between the food industry and agencies which feed the poor.

  -- Food banks are nonprofit organizations that link the food industry, which every year throws away millions of pounds of edible but unmarketable food, with agencies which distribute food to those in need.

  -- Food banks accept food donations from manufacturers, growers, packers, bakeries, distributors, wholesalers, and retailers (like Safeway).

  -- The food collected must be edible, but it might not qualify for commercial outlets due to mislabeling, slight formula variations, dented cans or broken cases, wrong-sized produce, baked goods and produce left over after normal sales periods.

  -- Were it not for food banks, much more of this unsalable food would be wasted or destroyed. There are no up-to-date figures on the amount of food that is wasted each year, but a 1977 GAO report on food waste estimated that $6.2 billion worth of food was discarded by wholesalers and retailers in 1974.

- Instead of many different charities soliciting food from local food businesses, one central agency -- the food bank -- solicits on behalf of all participating local charities.

  -- By shopping at food banks, charitable organizations have access to a wider range of low-cost food than they would otherwise

  -- Donors benefit because they deal with only one food bank, rather than a number of agencies wanting surplus food; they have only one number to telephone for disposal of unwanted merchandise; and they have only one source from which to compile tax records.

- Second Harvest was founded in Phoenix, Arizona, with the goal of helping to provide food assistance by soliciting surplus food from the national food industry, and distributing these donations to a nationwide food bank network.

  -- In 1982, Second Harvest channelled more than 30 million pounds of food to the 44 network banks, one of which is the Capitol Area Community Food Bank here in Washington, D. C.

  -- More than 60 major food companies donated food to Second Harvest during 1982, and Second Harvest estimated that more than 6,500 private charitable agencies benefited from the services of its food bank network.

BANKERS CHARGING RETAILERS FEES FOR HANDLING FOOD STAMPS

- Senator Dole and Congressman Emerson sent a joint letter to Secretary of Agriculture John Block, requesting a clarification of the Food Stamp law with regard to banks charging retailers fees for handling food stamps in order to determine of there was a violation of the law. The letter received a vague, unsatisfactory response, but this is one area that will most certainly be addressed when the Congress is contemplating further changes in the program.

MEMORANDUM

May 20, 1983

TO: Senator Dole

FROM: Chris Bolton

RE: Bankers Reaping Profits off the Food Stamp Program

Senate and House staff involved with the Food Stamp Program have recently been contacted by the Grocery Manufacturers of America, the Food Marketing Institute, and National Grocers Association.

Apparently, banks are charging grocers fees for cashing in the food stamp coupons they receive. For example, if 2.6 billion coupons are handled through banks, banks would receive $156 million in additional income as a result (this is calculated on the highest fee that they have been known to charge).

There is really no reason for banks to be charging for handling the food stamp coupons, since they don't have to do anything different with them than they do with regular checks or cash. They cancel them, verify the dollar amount, and bundle them a certain way to send to the Federal Reserve.

STANDING COMMITTEES:
AGRICULTURE, NUTRITION, AND FORESTRY
FINANCE
JUDICIARY
RULES

United States Senate

WASHINGTON, D.C. 20510

June 30, 1983

Honorable John Block
Secretary of Agriculture
Department of Agriculture
Washington, D.C. 20250

Dear Secretary Block:

We would like to take this opportunity to apprise you of a situation that we believe to be potentially damaging to the food stamp program. It has recently come to our attention that some banks are charging retail food stores for handling food stamp coupons as they are deposited. Our information indicates that these charges range from a fee of two cents per coupon to six cents per coupon. This practice could result in charges to retail grocers of up to $156 million per year, should all banks charge the maximum fee.

According to information received from the Department of Agriculture it does not appear that banks are required to perform any additional functions due to deposits of food stamp coupons over and above normal functions necessitated by deposit of cash or checks. Additionally, since the Department advises that the practice has increased over the past few years, the Department's advice to retail food stores to change banks to avoid the fee will not resolve this problem.

It appears that this fee is unwarranted and we question whether imposition of a fee of this nature is in fact permitted by the Food Stamp Act of 1979, as amended. We would appreciate it if you would look into this matter and advise us of the Department's position on the fees charged to retail grocers.

Sincerely yours,

Bill Emerson

BILL EMERSON
Ranking Minority Member
House Subcommittee on Domestic Marketing, Consumer Relations and Nutrition

Bob Dole

BOB DOLE
Chairman
Senate Subcommittee on Nutrition

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON D C 20250

August 8 19

Honorable Robert Dole
Chairman, Subcommittee on Nutrition
Committee on Agriculture, Nutrition
and Forestry
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Thank you for your recent letter concerning fees passed on by financial institutions to retail grocers for the redemption of food stamps.

The Department has recently met with the major retail trade associations and representatives of financial institutions to hear their views and to encourage an amicable solution to this problem. The retail trade groups have presented the Department with the results of surveys of their membership concerning fees imposed by financial institutions. This information will be presented to the banking representatives shortly. At that time we will pursue further discussions and hope to resolve the situation to the satisfaction of all parties.

We appreciate your interest in this matter and will keep you advised of our progress.

Sincerely,

John R Block

John R. Block
Secretary

performed privately. Some are concerned, however, that the efforts of the private sector will be seen as a substitute for future governmental involvement and as a reason for reducing the amount of spending in the traditional food assistance programs. An assistant director for communications of Second Harvest told us in a November 17, 1982, letter, for example,

> "* * * that despite the potential for using edible surplus food to help feed the needy, this [the food bank movement] is not--and never will be--the solution to our hunger problem. Food-banks cannot guarantee a steady supply of varied, nutritious products. We can never predict the quantity or type of product donations we will receive. Therefore, foodbanks are only a supplementary source of food for the agencies they serve. Foodbanks could never replace any of the federal programs that help feed people--they are only one link in the vital network of private and governmental programs to feed the poor."

In commenting on this report, USDA officials stated that fears such as those expressed above are unfounded. They told us that, although the rate of spending growth in Federal food assistance has recently slowed, the actual amount of spending and the numbers of persons and meals being served has continued to rise.

Legislative changes which have encouraged private sector involvement

In recent years a number of laws have been passed at both the Federal and State levels encouraging the private sector's involvement in feeding the needy. According to a number of people we interviewed, one such law which resulted in increased corporate charitable contributions and provided a needed boost to the food bank movement was the **Tax Reform Act of 1976.** This act allows corporations to donate inventory to certain charitable organizations and then take a tax deduction equal to the lesser of (1) the cost of the inventory plus 50 percent of the unrealized appreciation or (2) twice the cost. Some additional background on this legislation follows.

From 1917 to 1969, the Federal income tax laws had permitted a deduction for charitable contributions equal to the full fair market value of the property donated. In 1969, however, restrictions were placed on the deductions permitted for a number of types of property, and donations of inventory were limited to their cost. This cost limitation was designed to prevent taxpayers in high brackets from profiting more from giving inventory away than from selling it. Although the limitation eliminated the abuses leading to its enactment, it also eliminated any incentive to donate inventory and resulted in reduced contributions to organizations providing food, clothing, and medical equipment and supplies to the needy. Consequently, the Congress amended the law in 1976 to restore some of the economic incentive that existed earlier.

Although many prospective donors of inventory in the food industry are incorporated and therefore entitled to claim a deduction for contributions under the 1976 Tax Reform Act, many in the agricultural sector are unincorporated and, thus, receive no tax benefits for charitable contributions of farm products. Because of this disparity and a greater awareness today of the millions of dollars worth of edible produce abandoned each year when harvesting becomes uneconomical, lawmakers at both Federal and State levels have expressed interest in amending income tax laws to provide individual farmers with an incentive to make charitable contributions of foodstuffs. A handful of States have enacted such legislation, and national legislation has been proposed to provide farmers with tax allowances for permitting nonprofit organizations to glean their crops, i.e., to gather produce left in the fields after harvesting. During our work, we observed gleaning activities in California and learned from various sources that gleaning occurs in other States, including Oregon, Washington, Michigan, Arizona, Kansas, Maryland, Missouri, Florida, and Texas.

Another set of laws positively affecting the amount of food being donated to feed the needy are the so-called "good Samaritan" laws recently enacted by many State legislatures. Each State law is unique; however, the particulars of many have been fashioned after one another and have the common purpose of limiting the liability of food donors. Ohio's good Samaritan law, as an example, states that

> "* * * no person who in good faith donates perishable food to an agency is liable in civil damages for injury, death, or loss to persons or property that arises because that perishable food, distributed by the agency or any other agency, to a particular individual in need is not fit for human consumption, if both of the following apply:
>
> (1) Prior to the donation of the perishable food to the agency, the person determines that the perishable food will be fit for human consumption at the time of its donation.* * *

(2) The person does not negligently or recklessly make the determination that the perishable food will be fit for human consumption at the time of its donation to the agency."

The Food Marketing Institute reported in October 1982 that 34 of the 50 States had adopted good Samaritan laws thus far and that passage of proposed legislation in a number of other States was pending.

EFFORTS OF STATE AND LOCAL GOVERNMENTS IN FEEDING THE NEEDY

From our limited review, we found numerous instances where State and local governments were actively engaged in responding to the food needs of the poor. At the top of the list are the efforts of various State and local agencies having responsibility for locally administering Federal food stamp, child nutrition, food donations, and WIC programs. In addition to these activities, State and local governments are engaged in such things as (1) running feeding programs of their own, (2) distributing State funds to cities and agencies for helping the hungry and the homeless, (3) assisting in establishing and operating food drives, referral hotlines, and food banks, (4) conducting research, and (5) holding conferences and meetings on food, nutrition, and hunger issues.

Our work in California disclosed a couple of novel instances whereby food that would otherwise be wasted was being used by the State to feed the needy. In 1982, for example, the California Department of Fish and Game salvaged about 130,000 pounds of salmon which were turned over, in part, to private and Government-sponsored charitable organizations for feeding needy families. Salmon die after spawning, and were it not for the Department of Fish and Game's salvage operations, much of this food source would go to waste.

California is the largest agricultural State in the Nation. A substantial portion of the State's agricultural production is lost because it is economically "unharvestable" or "unmarketable." In response to this situation, from September 1980 through January 1982 the California Department of Food and Agriculture (CDFA) conducted a Surplus Food Project to help reduce this food waste. Program officials believe that much of the food that is lost is edible and that it would be consumed if it were recovered and routed to needy recipients. The project, funded jointly on a one-time basis by USDA ($26,832) and CDFA ($37,877), encouraged the development of a distribution system channeling recoverable surplus food to needy individuals. Its objectives were to: