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# U. S. GENERAL ACCOUNTING OFFICE STAFF PAPER



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## Identification Of Food Stamp Issues

This study attempts to place into prospective the key issues related to major areas of debate and concern in the food stamp program. Areas discussed include

- target population,
- program administration,
- nutrition value of the program, and
- interrelationship of the program to other income security programs.

This study concludes that decisions regarding the program should flow from reasoned analysis of the program's strong and weak parts and evaluation of alternative approaches to achieve the FSP's basic objective of insuring that low-income consumers have a decent opportunity to receive adequate food supplies.

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IDENTIFICATION OF FOOD STAMP ISSUES

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SUMMARY

GAO found the root causes of the food stamp program's expansion to be rapid food inflation, increasing unemployment, and decreasing real income. Moreover, under current economic conditions, the food stamp program has become more important to basic income security objectives. The relationship to income security programs has caused the food stamp debate to become fuzzy and sidetracked into attempts to define the program's "real purpose" as income, food, or farmer maintenance. While all these objectives are related in varying ways to the program, GAO believes that the more important question to be answered is: Does the food stamp program provide the low income consumer with an opportunity to receive adequate food supplies?

GAO's paper attempts to place into perspective key food stamp issues related to major areas of debate and concern in the food stamp program. Areas discussed include:

- Target population: Who should get food stamps, and how should the benefits be determined? (See p. 15.)
- Administration: Is the Food Stamp Program effectively administered? If not, what areas need change and what changes should be considered? (See p. 20.)
- The food stamp program as a nutrition program: Should food stamps serve as a nutrition program? If so, are current levels adequate and are benefits equitably determined? (See p. 26.)
- Food stamps and other income security programs: How is the food stamp program affected by other program benefits? What should the balance be between different program applications? (See p. 28)

GAO concluded that any restructuring of the food stamp program would require systematic examination of the issues and careful evaluation of the range of possible alternatives. Alternatives must be carefully evaluated regarding the likely effect on:

- program cost
- participation levels
- nutrition levels

- horizontal and vertical equity of benefit levels
- work incentives/disincentives

Future decisions regarding the food stamp program should not be made in the emotional heat of charges and countercharges regarding the program's benefits and abuses. Rather the decisions should flow from reasoned analysis of the program's strong and weak parts and evaluation of alternative approaches to achieve the food stamp program's basic objective of insuring that low-income consumers have a decent opportunity to receive adequate food supplies.

GAO points out a number of analytic efforts already completed or underway which should contribute to the evaluation of the food stamp alternatives. GAO also discusses areas identified in its analysis which require closer examination in reaching decisions regarding the future of the food stamp program.

As a part of its analysis of food stamp issues, GAO held a food stamp workshop July 10, 1975. The transcript of the proceedings of the workshop are being published as a separate volume. (See OSP-76-12.)

IDENTIFICATION OF FOOD STAMP ISSUESINTRODUCTION

Since the food stamp program (FSP) was initiated in the early 1960's, its objectives have been defined and redefined with changing social and economic conditions. The program has, at different times, been perceived as a primary means to reduce burdensome farm surpluses, to insure adequate food for families unable to obtain basic necessities, and to redistribute income. During its brief history, FSP has been programed to satisfy all of these objectives.

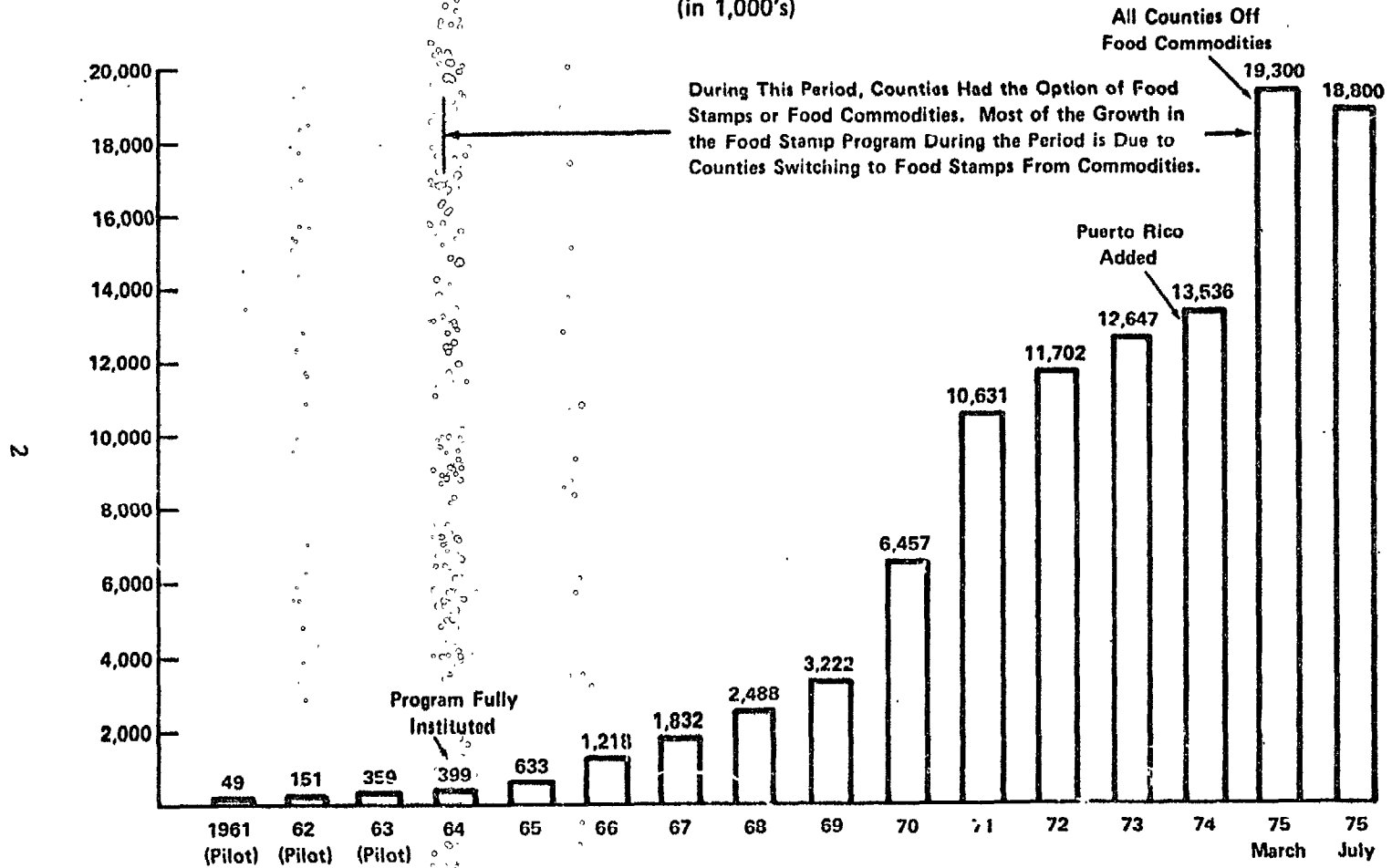
A 1974 general analysis of food issues, showed that the program was rapidly increasing. We were concerned that an increasing number of people were having difficulty in obtaining adequate food. Our investigation showed the root causes for the program's expansion were rapid food inflation, increasing unemployment, and decreasing real income. The importance of FSP to meet income security objectives has taken on expanded significance in the current state of the economy. Because of this new significance, the debate on FSP becomes fuzzy and sidetracked into attempts to define its "real" purpose as income, food, or farmer maintenance. This paper acknowledges the different objectives of the program but concludes that defining FSP as income, food, or farmer maintenance is of lesser importance than addressing the question: Does FSP provide the low-income consumer with an opportunity to receive adequate food supplies?

This paper identifies the issues affecting FSP and outlines those areas needing review to clarify current debate over the program and assist decisionmaking for program improvements. It was prepared after soliciting the views of food assistance and income maintenance experts. A GAO sponsored workshop on food stamp issues on July 10, 1975, helped identify the issues and outlined areas for further research. Part I of this report describes FSP, identifies current GAO work in this area, outlines current legislation, identifies the issues which are being debated, and discusses the research areas which would assist rational decisionmaking. Part II, bound separately, consists of papers presented at the GAO food stamp workshop and discussion questions.

Perspective

FSP, instituted in 1964 to increase the demand for farm commodities and improve low-income diets, has grown dramatically over the past decade (see fig. 1.) and has gradually changed its focus toward income maintenance. Starting with 400,000 recipients

**Figure 1 — FOOD STAMP PARTICIPATION (Peak Month)**  
(in 1,000's)



U.S. GOVERNMENT PRINTING OFFICE: 1975 O 444141

in 1964, the program today serves over 18 million persons at an annual cost approaching \$6 billion. Figure 1 illustrates the program's rapid growth, particularly in the last 2 years when rising food prices, general price inflation, and high unemployment created increased demand for food stamp assistance.

The demand for food stamp assistance is leveling off as economic conditions stabilize. The debate over FSP's purpose and administration continues, however, as both low and middle-income citizens seek continued relief from increased food prices and decreased purchasing power.

In addition to economic conditions, a number of other factors have attracted attention.

--President Ford's decision to increase the purchase price of food stamps to 30 percent of net adjusted income and the subsequent refusal of the Congress to allow this to happen.

--The release of a USDA report to the Senate <sup>1/</sup> that, for the first time, offered a fairly complete picture of the program. 42

--Various magazine articles that presented alarmist views of FSP by citing, often inaccurately, abuses of the program.

--A Parade magazine advertisement that claimed many middle-income families with incomes up to \$16,000 were eligible for food stamps. This ad prompted thousands of people to write the Congress in protest.

--Derogatory remarks by Administration officials about the program.

Much of the food stamp debate has focused on administrative areas: the program's outreach, fraud, quality control, certification, and benefit levels. The question of transferring the program to the Department of Health, Education and Welfare (HEW) in view of its obvious income security implications has also generated considerable debate, particularly since Earl Butz, the Secretary of Agriculture, testified before the Senate Agriculture Committee earlier this year 22

1/"Food Stamp Program: A Report in Accordance with Senate Resolution 58" released July 30, 1975, by the Food and Nutrition Services, USDA. (Referred to hereafter as USDA report to the Senate.)

that he opposed the FSP remaining in the U.S. Department of Agriculture (USDA).

Other issues for future debate are possible cashing out (substitution of money for the bonus value of food stamps) of food stamps or replacement of existing income security programs, including food stamps, with an integrated cash-support program.

Because of these issues and administrative problems, FSP is a prime candidate for legislative change. A series of pending bills (discussed below) propose varying levels of change in the program ranging from simple administrative changes to radical alterations affecting the eligibility status of millions of recipients. Extensive hearings have been conducted this fall in the Senate Agriculture Committee to consider FSP alternatives and will likely be held in early 1976 in the House.

#### RECENT FOOD STAMP REPORTS

Government reports from USDA, the House Agriculture Committee, and GAO on FSP, along with a number of other proposed and ongoing efforts, will provide basic information and help shape congressional consideration of the issues. HSE 00100

#### 1) USDA report

Senate Resolution 58 requested information and recommendations from USDA which would: "(1) disqualify families who have adequate incomes from receiving stamps; (2) reduce administrative complexities which make joint operation with other Federal assistance programs difficult; (3) tighten accountability for procurement, shipping, and handling of food stamps; and (4) increase penalties for those who abuse the program."

The resulting report is a review of the current operations of FSP and presents a number of key conclusions:

- Program coverage is good, with more than 70 percent of those having incomes less than \$2,000 being covered and 60 percent of those with incomes less than \$3,000 receiving benefits.
- There is extensive overlapping of benefits among program recipients. The average FSP recipient receives benefits from three Federal programs. Over one-third of the recipients receive benefits from some other type of food program.



- Quality control is a deficient area, but one which will be tightened with a new accountability system.
- Program abuse has been held to a low level. Recommended criminal and civil proceedings would help reduce existent abuse.
- The benefit rate table used to determine the eligibility level of recipients creates some problems of both horizontal and vertical equity among recipients. Households in equal financial situations may not receive equal benefits, and the largest benefits do not necessarily go to those with the smallest income.
- The present itemized deduction system may give more benefits to those recipients in the upper levels who may be less needy than other recipients.

## 2) House Agriculture Committee report

The staff of the House Agriculture Committee is also preparing a report to be released sometime in 1976. It will cover the issues of recipient service, abuse, inclusion of certain groups, simplification of the program, and benefit levels. A profile of the nonpublic assistance load will be developed from questionnaires sent to State administrators.

## 3) GAO reports

GAO has produced four reports on food stamps during the past several years, most notably "Observations on the Food Stamp Program" released February 28, 1975. This report detailed the need for better quality control and improved outreach, the necessity of adequate recipient information, and an inconsistency and inequity in program eligibility requirements.

Currently, GAO has work underway which will address four administrative considerations of FSP.

1. The amount of time for interviewing and certifying applicants and issuing them authorizations to purchase food stamps.
2. The importance of income deductions in determining eligibility for food stamps.
3. The effectiveness of the program's work registration requirements.

4. The efforts being made to obtain repayment of improper benefits.

Another review deals with whether coordinated use of common control measures--using a standard application form with a single intake unit--and adequate verification means will show a favorable cost/benefit ratio in collecting and validating eligibility data for major Federal assistance programs. This work will cover the several programs.

Additionally a GAO task force has just been recently initiated to survey alternate income distribution systems which will include FSP.

PE LING FOOD STAMP LEGISLATION

The debate over food stamps has resulted in major legislation which, if enacted, would greatly alter FSP. Following is a brief description of these bills. (For a more complete analysis and comparison, refer to the "Comparative Analysis of the Food Stamp Act of 1964 and Proposed Reform Legislation" prepared by the Senate Agriculture and Forestry Committee.)

S.1993, H. R. 8145 (Buckley-Michel bill)

The provisions of the Buckley-Michel bill are as follows:

- Limits recipients to those having incomes at or below the Office of Management and Budget (OMB) poverty index and having liquid assets worth less than \$2,250 (\$1,500 for a one-person household). Households with a member over 65 receive a \$25 deduction from income. Limits the value of a recipient's house to \$25,000 (\$35,000 in Alaska and Hawaii) and personal effects and household goods to \$1,500, and an automobile to \$1,200.
- Communities can choose food commodity distribution rather than food stamps.
- Charge to households is the lesser of present income expended for food by average household or 30 percent of income.
- Households must report income monthly.
- Authorizes photo identification cards.
- Uses the USDA low-cost food plan rather than the economy food plan.
- Makes work registration requirements more inclusive.
- Provision is made for tightening internal control over stamps and monies.
- FSP would be transferred to HEW.
- Provides for more extensive nutrition education.

S.2451 (Dole-McGovern bill)

The Dole-McGovern bill makes the following major changes

the Food Stamp Act:

- Eligibility determined by gross income with each family being allowed a standard deduction of \$125 plus itemized deduction for taxes and disaster losses. Households having one or more elderly members are allowed an extra \$25 deduction.
- The standard deduction is modified by USDA to show regional differences in housing, utilities, etc.
- USDA has authority to carry out experimental projects.
- The use of Meals on Wheels (a food program for the elderly) is broadened.
- The purchase requirement is eliminated.
- Public assistance households must meet the same standards as other households.
- Provides for more extensive nutrition education.

S.2537, H1024: (Administration bill)

Following are the Administration's changes to the Food Stamp Act:

- Eliminates the eligibility of certain alcoholic and narcotic rehabilitation centers to use food stamps.
- Uses OMB poverty guidelines as the standard for eligibility, with households being allowed a \$100 standard deduction plus \$25 for households having at least one member over 60.
- Makes work registration requirements more inclusive.
- Authorizes photo identification cards.
- Purchase requirements are 30 percent of income.

--Determination of eligibility will be based on the average of income earned over the last 3 months prior to application.

## HOW THE FOOD STAMP PROGRAM WORKS

### Purpose and history

The goals of FSP set forth in section 2 of the Food Stamp Act of 1964 (7 U.S.C. 2011) are:

- Safeguard the health of the populace by raising and maintaining the level of nutrition.
- Distribute our agricultural abundance in an orderly manner.
- Strengthen our agricultural economy by stimulating food demand.

Over the ensuing years as recipients have come to rely on food stamps as an income supplement, the program has been institutionally perceived as less of an agriculture program and more of an income security program.

Food stamps were first proposed in 1936 by Fred Waugh, an economist working for Secretary of Agriculture, Henry Wallace. They were introduced in 1939 under the general authority of the Agriculture Adjustment Act (7 U.S.C. 604), as a dual-purpose program: (1) to permit those families on welfare to receive food assistance and (2) to reduce the surplus of certain food commodities. The program permitted eligible families to purchase orange-colored stamps in amounts equivalent to their normal food purchases. Families were then given blue-colored stamps equivalent to one-half the value of the orange stamps. The blue stamps could only be used to purchase certain surplus foods. The program was terminated in 1943 as World War II reduced both food surpluses and unemployment.

In 1959, after several years of effort, Public Law 86-341 gave the Secretary of Agriculture the discretion of establishing a 2-year pilot food stamp program. This program was never established.

In 1961 President Kennedy established pilot program under authority granted by the Agriculture Adjustment Act. This plan was in operation until the passage of the Food Stamp Act of 1964.

### Administration

FSP is administered by the Food and Nutrition Service, USDA, through the various State welfare departments. These

FIGURE 2

Monthly Coupon Allotments and Purchase Requirements—48 States and District of Columbia

Monthly net income	FOR A HOUSEHOLD OF—							
	1	2	3	4	5	6	7	8
	Person	Persons	Persons	Persons	Persons	Persons	Persons	Persons
	THE MONTHLY COUPON ALLOTMENT IS—							
	\$50	\$92	\$130	\$166	\$198	\$236	\$262	\$298
	AND THE MONTHLY PURCHASE REQUIREMENT IS—							
0 to \$19.99 .....	0	0	0	0	0	0	0	0
\$20 to \$29.99 .....	1	1	0	0	0	0	0	0
\$30 to \$39.99 .....	4	4	4	4	5	5	5	5
\$40 to \$49.99 .....	6	7	7	7	8	8	8	8
\$50 to \$59.99 .....	8	10	10	10	11	11	12	12
\$60 to \$69.99 .....	10	12	13	13	14	14	15	16
\$70 to \$79.99 .....	12	15	16	16	17	17	18	19
\$80 to \$89.99 .....	14	18	19	19	20	21	21	22
\$90 to \$99.99 .....	16	21	21	22	23	24	25	26
\$100 to \$109.99 .....	18	23	24	25	25	27	28	29
\$110 to \$119.99 .....	21	26	27	28	29	31	32	33
\$120 to \$129.99 .....	24	29	30	31	33	34	35	36
\$130 to \$139.99 .....	27	32	33	34	36	37	38	39
\$140 to \$149.99 .....	30	35	36	37	39	40	41	42
\$150 to \$169.99 .....	33	38	40	41	42	43	44	45
\$170 to \$189.99 .....	38	44	46	47	48	49	50	51
\$190 to \$209.99 .....	38	50	52	53	54	55	56	57
\$210 to \$229.99 .....	40	56	58	59	60	61	62	63
\$230 to \$249.99 .....		62	64	65	66	67	68	69
\$250 to \$269.99 .....		68	70	71	72	73	74	75
\$270 to \$289.99 .....		72	76	77	78	79	80	81
\$290 to \$309.99 .....		72	82	83	84	85	86	87
\$310 to \$329.99 .....			88	89	90	91	92	93
\$330 to \$359.99 .....			94	95	96	97	98	99
\$360 to \$389.99 .....			102	104	105	106	107	108
\$390 to \$419.99 .....			111	113	114	115	116	117
\$420 to \$449.99 .....			112	122	123	124	125	126
\$450 to \$479.99 .....				131	132	133	134	135
\$480 to \$509.99 .....				140	141	142	143	144
\$510 to \$539.99 .....				142	150	151	152	153
\$540 to \$569.99 .....				142	159	160	161	162
\$570 to \$599.99 .....					168	169	170	171
\$600 to \$629.99 .....					170	178	179	180
\$630 to \$659.99 .....					170	187	188	189
\$660 to \$689.99 .....					170	196	197	198
\$690 to \$719.99 .....						204	206	207
\$720 to \$749.99 .....						204	215	216
\$750 to \$779.99 .....						204	224	225
\$780 to \$809.99 .....						204	226	234
\$810 to \$839.99 .....							226	243
\$840 to \$869.99 .....							226	252
\$870 to \$899.99 .....								258
\$900 to \$929.99 .....								258
\$930 to \$959.99 .....								258
\$960 to \$989.99 .....								258
\$990 to \$1,019.99 .....								258

\*Effective January 1976

departments in turn administer the program through district, county, or city level welfare offices. USDA pays for the entire bonus value amount of the food stamp and 50 percent of the State's administrative costs. USDA can withhold all or a portion of its share of administrative costs if a State is not complying fully with USDA regulations.

Eligibility, certification, and purchase requirements

To qualify for food stamps, an applicant must be certified as eligible by the local administrative unit. Within 30 days after application the applicant must receive notification of his eligibility, or lack of it, for food stamps.

An applicant may be certified in one of two ways. If the entire household is receiving public assistance, then that household is automatically eligible for food stamps regardless of household income. Those not meeting this criteria must qualify under the national income and asset standards. Qualified applicants receive authorization to purchase cards which state the amount of food stamps which can be purchased and the amount which the applicant must pay to get the stamps. Stamps are sold in many places, including welfare offices, banks, and post offices. Stamps may be purchased twice monthly in all areas and weekly in some areas.

Food stamps can then be used in grocery stores that have been approved. These stores deposit stamps as cash in their bank accounts.

Applicants pay for stamps according to income and family size. The difference between purchase price and dollar value is the bonus value of the stamps. Applicants pay no more than 30 percent of adjusted net income for the stamps (average payment is 23 percent). One and two person households having under \$20 monthly in net income and families with 3 or more members having under \$30 net income receive the stamps free of charge.

"Income is any money received by all members of the household, except students under 18, and includes wages, public assistance, retirement, disability benefits, unemployment and workers compensation, strike benefits, alimony, scholarship payments, interest, dividends, rents and all other payments from any source which may be considered a gain or benefit."



Those expenses which can be deducted from income include the following:

- (1) Ten percent of earned income or training allowance up to \$30.
- (2) Mandatory payroll deductions such as social security, taxes, retirement, and union dues.
- (3) All medical cost if more than \$10 monthly.
- (4) Child care payments if necessary to permit a household member to work.
- (5) Tuition and fees, excluding the cost of books and supplies.
- (6) Unusual expenditures resulting from death, theft, or natural disaster.
- (7) Alimony and child support payments.
- (8) Housing costs (mortgage payments, rent, real estate taxes, utilities, etc.) that exceed 30 percent of income after all other deductions have been taken.

Additionally, all applicants have to register to work except those under 18 and over 65, members of the household caring for dependent children, incapacitated adults, students enrolled at least half-time in school, and persons working 30 or more hours per week.

Eligibility can be lost by an increase in income or assets, by a refusal to register in the work program, to accept work, or to cooperate in providing eligibility information.

Food stamps may be used to purchase the following items:

- (1) All food items except alcoholic beverages and tobacco.
- (2) Food from Meals on Wheels.
- (3) Prepared meals in congregate areas for persons over 60.

- (4) Meals prepared in approved rehabilitation centers for drug addicts and alcoholics.
- (5) Seeds and plants used in gardens to provide food solely for the consumption of the participating household.

ISSUE DISCUSSION

An analysis of the current food stamp debate centers around five key issues. Although these issues are discretely separated for discussion purposes they overlap and any decisions to change one segment of the program would likely effect other parts of the program.

ISSUE TOPICS

Each issue topic area was chosen because of meaningful public debate, identification as a topic having a major effect upon the program or on the program's effect on society, or likely congressional or executive interest. Following is a capsule description of each issue area.

- Target population: Who should get food stamps, and how should the benefits be determined?
- Administration: Is FSP effectively administered? If not, what areas need change and what changes should be considered?
- FSP as a nutrition program: Should food stamps serve as a nutrition program? If so, are current levels adequate and are benefits equitably determined?
- Food stamps and other income security programs: How is FSP affected by other program benefits? What should the balance be between different program applications?
- Food stamps and overall demand: What are the effects of the FSP on food demand and food price inflation?

TARGET POPULATION

The controversy over target population reflects two points of view, both of which stem from concerns over the rapidly rising demand for food stamps. One view is concerned over the lack of a program budget ceiling and the reaction of taxpayers to increasing Government income assistance expenditures. The other view is concerned about satisfying basic necessities, such as housing, food, and education for every citizen in the face of increasing inflation, unemployment, and government "red-tape." Both views have been strengthened by concern over the weakened economy as all citizens began to feel the cost-income squeeze.

### Population size

FSP provides food income assistance to anyone with income and assets inadequate to purchase enough food for an economy diet. The program is a unique public assistance program in that recipient access is determined by national uniform eligibility requirements on the basis of income need, rather than categorical circumstances (except that public assistance recipients are automatically eligible for stamps), such as in Aid to Families with Dependent Children. There is no ceiling on the number of recipients eligible for benefits. The program size fluctuates with the strength of the economy. As a result of the current inflation, recession, and unemployment, it is estimated that as many as 1 out of 5, or 40 million citizens, are eligible for food stamp benefits over a period of a year. <sup>2/</sup>

### Purpose and benefits

FSP's purpose has evolved from an attempt to strengthen the market for agricultural commodities in 1964 to an attempt to provide enough income to meet baseline diets for all Americans today. Benefit levels are directly tied to the cost of feeding a family on a USDA-determined economy diet. If food costs go up, benefits can be escalated and vice versa. All those with incomes inadequate to purchase enough food for an economy diet and meeting certain asset requirements are eligible for benefits. Those already receiving public assistance automatically qualify for food stamps--even if their income is higher than the established maximum. Food stamp benefits serve both the working and nonworking poor.

In the last 4 years several legislative amendments have changed the program in the direction of making more citizens eligible and increasing the benefit levels. The program is the fastest growing public assistance program, but much of its growth <sup>3/</sup> through 1974 was due to counties switching from the Food Commodity Program to FSP. (See Fig. 1, p. 3)

Growth since 1974 is attributed to the addition of Puerto Rico to the program and the rapid increase in unemployment due to the recent recession.

<sup>2/</sup> This is a rough average of estimates in chapter 4, USDA report to the Senate.

<sup>3/</sup> Three-fourths of its growth according to "Who Gets Food Stamps?" Senate Select Committee on Nutrition and Human Needs, August 1, 1975, p. 23.

Unpublished portions of the USDA report to the Senate (since released) project that participation has leveled off and will decline after several years. In fact participation slackened slightly this summer as the economy stabilized although much of this is due to the normal influx of students taking summer jobs and the availability of migrant labor.

#### Outreach difficulties

One point of view is concerned that FSP does not fully satisfy its target population because of inadequate outreach efforts. Failure to achieve fuller coverage has been a basis for frequent criticism and some judicial decisions have forced expansion of outreach efforts to satisfy the letter of the law.

Early on, inadequate institutional arrangements for program delivery resulted in poor coverage. This appears to be less a problem now, although difficulties still persist. USDA estimates that 76 percent of eligible persons now receive food stamps. The most cited continuing outreach difficulties include inconvenience of purchase, lack of income to purchase stamps, stigma associated with stamp use, and recipient unwillingness to earmark income for food.

#### Distribution and benefit levels

In cases where eligible recipients receive benefits, questions of equity arise in distributing the benefits. The present system of income determination has created potentially serious problems of equity and caused situations whereby some families on welfare receive food stamps, although nonwelfare families having less income might not be eligible. Some families having comparatively large incomes are able to receive stamps by making large deductions for house payments, alimony, etc.

Another problem is a lack of horizontal and vertical equity within the population set now receiving food stamps. Horizontal inequity occurs when many families having similar incomes receive unequal benefits. Often a difference might be justified because of increased medical expenses or additional work expenses; sometimes, however, the difference can result because one family has in-kind (benefits consisting of goods/services rather than cash) income that is not included in food stamp income determination or another family might have better, more expensive housing and be allowed additional deductions for it.

The following is an example of horizontal inequity. Family A and Family B both have incomes of \$450 monthly, and each family has four members. Assume each family has the following deductions from income, and A has rent of \$100 monthly and B \$145 monthly.

	<u>Deductions</u>	
	A	B
Mandatory work expenses	\$30	\$30
Withholding, retirement, etc.	20	20
Medical expense	15	15
Tuition	<u>0</u>	<u>25</u>
Total	\$65	\$90
Income after deductions	\$385	\$360
Shelter deduction	<u>0</u>	<u>37</u> (145-.3(360))
	\$385	\$323

Family A has to pay \$104 for \$162 in food stamps while Family B has to pay only \$89 because of higher rent and tuition costs.

Examples of vertical inequity can be very similar where a person with a high income has enough deductions to bring himself to a level of someone with a much lower income or when a person of a lower income eligible for stamps, can receive food benefits totaling more than the food available to a person having a higher income. "Vertical equity...requires that net benefits should be inversely related to income and equally important, that benefits be smoothly tapered as income increases within or across families." <sup>4/</sup>

Various solutions have been proposed to eliminate or alleviate the income inequities in the program: severely limit or disallow deductions from income, include in-kind benefits as income,

<sup>4/</sup> Jodie Allen, "Options for Improving the Equity and Efficiency of Benefit Determination Procedures for the Food Stamp Program", December 5, 1974, prepared for USDA.

limit gross income, or institute standard deductions. Current debate centers primarily around the standard deduction although legislation introduced by the Buckley/Michel bills <sup>5/</sup> would limit deductions and impose a gross income limitation.

#### Standard deductions

Many critics of the current income determination system argue that a standard deduction applicable to all users would eliminate income bias. A Washington Post editorial stated that,

"Far from assisting the very poorest of the poor itemized deductions redound primarily to the advantage of the relatively well-off participants for the simple reason that only such families can afford to purchase very much of the deductible items." <sup>6/</sup>

USDA data shows that those families below the poverty line claim less than \$50 per month (four-member household) and families making over \$500 monthly deduct \$163 and over. This and other data led to the conclusion that the present system of itemized deductions introduced a loophole through which households who would not be considered poor could nonetheless obtain food stamp eligibility.

The introduction of a standard deduction to replace the itemized deductions--a current congressional proposal--would eliminate or limit the ability of higher income FSP households to drastically reduce their income for FSP qualifications. The impact of systems of standard deductions on program participation depends on the size of deductions allowed. The basic purpose of this proposal is clear, however, and that is to limit program participation to the most needy.

Others maintain, however, that standard deductions would not in fact be beneficial to low-income working families. Robert Greenstein has testified <sup>7/</sup> that very few food stamp re-

<sup>5/</sup> S. 1993 and H.R. 8145 introduced respectively by Senator James Buckley and Representative Robert Michel entitled the "National Food Stamp Reform Act of 1975."

<sup>6/</sup> Washington Post, Feb. 1, 1975, editorial comment by Jodie Allen.

<sup>7/</sup> Testimony of Robert Greenstein, CNI associate editor, before the Senate Select Committee on Nutrition and Human Needs, July 31, 1975.

ipients are eligible for the program strictly through large deductions and that the adoption of standard deductions would create additional inequities between the working and nonworking recipient as most deductions are geared towards the working family. Itemized deductions also allow for quicker realization of increased costs. For example, if fuel costs rose rapidly, itemized deductions could allow for this the following month. A standard deduction system would be immobile until the next revision period.

#### Benefits to nonpoor

Another concern is that eligibility loopholes make it possible for families with relatively high income--considerably above the poverty line--to receive food stamp benefits by taking large, though legal, deductions from their income. Statistically only a very few families do this: two percent in the \$8,000 to 9,000 range, three percent in the \$9,000 to \$10,000 range, and none above \$10,000, according to USDA figures.

#### Who should food stamps serve?

Current eligibility criteria makes approximately one out of every five Americans eligible for food stamps at some time during the course of a year. The debate over target population is essentially a debate over who should receive food stamp benefits and how should the criteria be drawn so as to maintain a healthy society?

With so large a part of our population eligible for food assistance, the eligibility criteria must be carefully examined. If the criteria are deemed to be unreasonable and inequitable, then they should be redrafted. The target population issue, then, becomes a matter of examining the criteria to determine methods of modifying eligibility and income determinants so that the program is equitable and serves only those needing assistance. If the criteria are deemed to be responsible and equitable, then we must question our means of income distribution.

#### ADMINISTRATION

Another concern is that the program be administered to achieve maximum benefits from the resources used. No program, regardless of the benefits or extent of coverage, can be more than marginally effective with an poor delivery system. The delivery of social services in the United States is constrained by a multijurisdictional coordination process that involves Federal, State, and local institutions. In particular, the



plethora of welfare programs has made administration necessarily difficult because of multiple sets of eligibility criteria, regulations, outreach provisions, certification procedures, etc. The issue of multijurisdictional program coordination is often compounded by understaffing, insufficient or poorly defined regulatory requirements, and indifferent State and local acceptance of responsibilities.

The Federal-State-local red tape inhibits meeting program objectives. If benefits are delayed or erroneously computed, the recipient loses. The recipient also pays human costs-- in terms of inconvenience and degradation.

The administrative agency also loses. Additional costs are incurred by duplicative procedures needed to administer each program and overissuance of benefits through the absence of administrative control. Finally, the taxpayer pays additional tax dollars needed to run an inefficient system. More subtle costs, but nevertheless real, are the long-term inequities created. These costs can and do create situations where large numbers of people are economically and socially isolated from the American mainstream, thereby insuring a continuation of the program and a continuation of administrative expenses.

FSP shares in and contributes to the difficulties of service delivery. Administrative difficulties in FSP center around the following areas:

- Coordination with other income security programs.
- Certification.
- Quality control.
- Work registration program.
- Fraud.

An overriding question that binds together these individual areas is the question of balance between State, local and Federal responsibilities. Mr. Bennet Moe, Executive Director of the Commission to Review Public and Social Services of Los Angeles County, strongly advocates increasing the amount of flexibility and responsibility at the local level. <sup>8/</sup> Every locality has a unique set of problems that must be fitted around fairly rigid criteria imposed by USDA regulations. Increased discretionary powers to deal with administrative matters

<sup>8/</sup> In a paper presented at a GAO-sponsored food stamp workshop, July 10, 1975.

could be given to local agencies without violating the basic income, asset, and benefit determinations decided upon at the Federal level.

Ultimately, however, the balance of program control must rest with those that bear the cost, and the States bear no program costs and only a part of the administrative costs. Perhaps problems of control and flexibility could be solved if the States were responsible for some part of the program costs. Then they would have every incentive for improving the administrative functions of the program.

#### Coordination with other income security programs

Most local welfare agencies that certify applicants for FSP also certify applicants for Aid to Families with Dependent Children, Medicaid, and other income security programs. The certification process for FSP is largely duplicative in a procedural sense. Although recipients of most types of public assistance are automatically eligible to receive food stamps, the extent of their eligibility must essentially be redetermined because of the difference in establishing income; that is, the amount of food stamps to be received and their purchase price must be separately determined. This procedural duplication exists across all income security programs because they are legislated separately and are administered as individual entities.

Coordination of multiprogram standards could result from legislative action that would require a working agreement between USDA and HEW, the primary Federal agencies having responsibilities for individual programs. Even mandated cooperation would be exacerbated by the fact that FSP operates on national criteria and other income security programs do not.

Another method which might increase program streamlining would be to transfer FSP to HEW. A dozen or so bills have been introduced in the 94th Congress that would accomplish this. The Secretary of Agriculture, has testified that he finds the FSP to be a welfare program and as a welfare program, it does not belong in USDA, but in HEW. Again such a move would be hindered by the differences in State eligibility criteria.

#### Certification

Certification has two components: (1) the suitability of institutional arrangements for processing applications and serving the program's target population and (2) the qualification standards for determining need of recipients.

Certification difficulties and the subsequent delay often thwart the program's basic objective of providing benefits to eligible recipients. Delays result from too few persons accepting applications, unwieldy application procedures, and a lack of understanding of USDA regulations and procedures by local welfare offices.

The law permits a 30-day maximum waiting period for certification but in many areas the wait is much longer. Rapid increases in participation rates have greatly pressured the system. The Senate Select Committee on Nutrition and Human Needs estimated that at least 85,000 applicants were waiting beyond the legal limit in February 1975. 9/ In some areas applicants were waiting 5 and 6 weeks just to begin the certification procedure.

One proposed solution would be to provide the States with the option of self-certification by the applicant. If, on the basis of information provided, the applicant appears eligible, an authorization to purchase stamps would be granted immediately. Although this proposal would likely decrease or eliminate delay, the error rate would certainly increase. The USDA report to the Senate strongly objects to the use of self-certification as a means of solving current difficulties. Instead it proposed a variety of administrative modifications which would give States greater flexibility in operating under FSP. These modifications would eliminate or modify certain troublesome certification procedures involving, most notably, income estimate procedures and work registration requirements. They would also permit closer coordination of FSP and other public assistance administrative procedures.

From an overall program standpoint the single most important certification issue involves income adjustment procedures for establishing recipient need. This eventually boils down to the trade-off between itemized and standard deductions as discussed earlier. One point in favor of the adoption of standard deductions is that it would almost certainly ease the administrative strain of determining net income.

#### Quality control 10/

Much of the criticism directed at FSP is related to quality

9/ "Report on Nutrition and Special Groups: Part 1--Food Stamps," p. IX, March 1975.

10/ Quality control is the process of maintaining accountability of some process or action through various states or levels of handling.

control. Recent newspaper and magazine articles have referred to certain abuses of the program, such as ineligible recipients and overissuance of food stamps, all of which are connected with poor quality control. Although quality control applies to the entire FSP, it is most closely associated with certification procedures.

The error rate in issuance and certification was documented in a recent USDA quality control report. Some 37 percent of the cases reviewed paid incorrect amounts for stamps--26 percent underpaid and 11 percent overpaid. Seventeen percent of the recipients were not eligible although almost half of these were ineligible because of reasons (mostly work registration) other than income and assets.

Only nonpublic assistance households, however, are subject to USDA's quality control program. Those households receiving public assistance come under HEW's quality control program. This program verifies eligibility but does not verify that the proper amount of money was paid for the food stamps or that the value of the issued food stamps was correct.

USDA has instituted new standards for judging the adequacy of State and local program administration through efficiency and effectiveness regulations that require the State to annually review State-level management of the program as well as large local projects and report on a semiannual basis to USDA. Failure by the State to implement these procedures and to take corrective action to reduce the error rate can result in a loss of federal funding for administration expenses.

Although the success of food stamp quality controls rests with State and local agencies, many of these offices feel they have little to gain in administering a more vigorous quality control program. Any monies saved benefit only the Federal Government while the local or State agency have to incur 50 percent of any increased administrative cost as well as tolerate any other administrative demands caused by the new program.

#### Work registration program

Food stamp recipients who do not have dependents under 18 years of age, who are not students, and who meet certain age criteria must register for work and under most circumstances, must accept employment, if offered, or job training. Work registration is a common requirement for many income security programs and was hailed by many as the panacea to end welfare abuse by those who refused to leave the so called "leisure life" offered by welfare payments.

Work registration is a difficult program aspect to administer. The Department of Labor is responsible for actually implementing the program, but the certifying agency is responsible for determining eligibility for the program and doing case-by-case followup work to determine if the recipient is properly following work registration requirements. Because of the enormous case load and administrative rigors, work registration may be mere formality in many areas and not even a rigid prerequisite for food stamps in other areas.

The objective of work registration is to enable families to end or lessen their dependency on welfare. This is a reasonable objective but perhaps not very realistic. There are some indications that a large core of the recipient population is unemployable for a variety of reasons, and that methods of assisting these people to cope with poverty should not center around getting off the welfare rolls.

The role of work registration in serving the large number of people who enter and then leave the system has not been determined, but this is thought to be controlled more by outside economic forces creating job openings than work registration efforts.

#### Fraud

Fraud is perhaps the single most elusive element of the FSP but the one that receives considerable interest. One-third of all questions about FSP addressed to the Congressional Research Service concern frauds--counterfeiting, theft, retail store abuse, and recipient misrepresentation. However, the extent or range of fraudulent activity is largely unknown.

In fiscal year 1974 USDA reported that there were \$295 in counterfeit food stamps found in circulation and over \$1,000,000 in counterfeit food stamps seized before circulation, thefts amounted to about \$450,000, caseworker fraud amounted to about \$10,000, recipient fraud totaled some \$320,000, and over 500 retailers were disqualified.

USDA argues that, for a program this size, these amounts are small. However, many feel that fraud, particularly recipient fraud, is underreported and serves to undermine the integrity of the program. Several newspapers have reported well organized black markets in food stamps. The USDA report to the Senate recommends modifying standards associated with prosecution of program abuse. It concludes that present standards are such that only the most flagrant abuses are attacked.

Fraudulent abuse of FSP serves as a focal point for criticism of the program, regardless of other benefits or abuses inherent in the program. Fraud must be controlled so that attention can be more profitably focused in other aspects of the program.

ADEQUACY OF FSP AS  
A NUTRITION PROGRAM

A third issue involves FSP's impact in meeting one of its initial objectives. The Food Stamp Act established two major objectives: (1) to supplement farm income by increasing food demand and (2) raise the nutritional level of eligible low-income groups. Over the ensuing years, the goal of increasing farm income has largely been dropped, but food stamps are still considered to be a nutrition program.

Food stamp allotments are now based upon the economy food plan developed by USDA but will soon use the thrifty food plan. <sup>11/</sup> The foods which make up the plan reflect the general eating patterns of low-income households, as determined through previous household food consumption surveys, modified to provide a nutritionally adequate diet. Nutritional adequacy is based upon the recommended dietary allowances set by the National Academy of Science-National Research Council in 1974 for all nutrients for which there are adequate composition data. USDA data shows that this plan will provide a nutritionally adequate diet if followed.

There is some disagreement, however, as to the adequacy of the diet and almost uniform agreement that most food stamp users do not have a nutritionally adequate food intake.

Nutritional Inadequacies

The failure to achieve the full nutritional objective can be linked to one of two reasons: (1) the participant lacks the knowledge to acquire a nutritional diet, spending his additional purchasing power on foods that contribute little to a quality diet or (2) food stamps may not provide the participant with the means to purchase a nutritional diet.

It is probably true that participants are not knowledgeable in purchasing the proper foods. Americans in all income groups have little knowledge about what constitutes an adequate

<sup>11/</sup> In response to a recent court decision, *Rodway v. USDA* 514 F. 2d 309 (D.C. Cir. 1975), USDA will institute new allotments based upon the thrifty food plan.

diet. Often adequacy is achieved because the consumer has the means to purchase a wide variety (and large quantity) of foods. For those with little to spend, there is no margin for error.

Kenneth Clarkson cites sources showing it is possible to obtain an adequate diet with even fewer stamps although the palatability might be questioned. Clarkson also states, based upon other studies, that food stamps have not raised the nutritional level of participants' diets over pre-food stamps levels and, in some instances, have actually worsened the diet due to the increased purchase of luxury foods such as candy and soft drinks. 12/

The Select Committee on Nutrition and Human Needs, however, feels that an adequate diet cannot be obtained without outstanding nutritional skills due to the strict budgetary limitations of the subsidy. The Committee further states that, in areas of high prices, in families with teenage children, or families with a pregnant member, a nutritious diet cannot be obtained. 13/

Because of program duplication, food stamps also have the potential of providing an abundance of food for certain beneficiary groups. Aid to Families with Dependent Children and other public assistance programs supposedly provide enough cash to purchase food, although in many areas these benefits are clearly not enough. To the extent that they are sufficient, however, duplication could occur since food stamp benefits (if applied for) are automatically available to public assistance households.

Dietary inequities

A corollary issue to that of nutrition is that of equity in dietary allowance--both among recipients within the program and between recipients and certain low- to mid-income nonrecipients.

Inequities that exist among recipients result from the differing dietary requirements of lactating mothers, teenage

12/ Food Stamps and Nutrition, K.W: Clarkson, American Enterprise Institute for Public Policy Research, 1975.

13/ "Report on Nutrition and Special Groups: Part 1 - Food Stamps," Select Committee on Nutrition and Human Needs, Mar. 1975, Ch. VIII.

children workers having strenuous jobs, and so on. Obviously people fitting in one or those categories have a need for more food or foods heavy in a particular nutrient. The dietary level established by USDA is not geared to meet different needs but based upon a standard set for a typical family. A question still remains as to a recipient's income flexibility to purchase other than a typical diet.

Another inequity that exists among recipients is that of food costs. The cost of food varies from region to region. In large urban areas, food prices are typically higher within the inner city. Often the elderly or poor, because of economic and physical restraints, are tied to a particular area where food prices are much higher than neighboring areas. Because food prices vary among rather narrow geographic boundaries, regional variations in food stamp values would be only partially effective and difficult to determine.

Inequity exists between users and some ineligibles in that food stamp participants are able to purchase more food than the average amount spent by persons who have incomes slightly above the maximum level for food stamp eligibility. A proposed solution to this problem would be to make the food income allotment equivalent to that amount spent by persons at a particular income level.

For example (for a family of four), if it were determined that the minimum standard for food purchases would be the amount spent by a family with an \$8,000 income, then all families with an income lower than this would receive a subsidy in food stamps or cash. Assume that 20 percent of the income was determined to be the amount spent on food at this level and further assume that this same percentage would also be used for lower incomes. Then a family with a \$5,000 income would receive a food subsidy of \$600 (.20(8,000 - 5,000)).

#### INTERRELATIONSHIP OF FOOD STAMPS WITH OTHER INCOME SECURITY PROGRAMS

The fourth food stamp issue is the interrelationship of the program with other income security programs. Regardless of their role as an in-kind nutritional program, food stamps play an important role as an income security program. For most users they free a part of income once used for food but now available as discretionary income.

The basic income security system was created in 1935 with the Social Security Act (42 U.S.C. 301) which provided old-age insurance benefits to participants who had contributed to the



plan during their working years; partially subsidized assistance to needy aged, to the blind, and to children at levels determined by the States; and unemployment insurance.

It soon became apparent that the program did not meet the needs of all people. The attempt of the Social Security Act to categorically define people and to subsequently determine who should receive assistance proved to be unfair. Too many persons did not fit into a predefined category. Those who were poor and and failed to fit into a slot received little or no relief.

Over the years various programs have been enacted to broaden the income security protection offered Americans. Although gaps were being filled in some parts of the structure, the very multitude of new programs has created inequities and inefficiencies in other parts of the structure. Because programs have been designed in a piecemeal fashion, the resulting interaction among programs has created program overlaps and new gaps.

FSP is the only income security program that is universal in that the tests for eligibility are based on income and assets and not on age, the presence of children, or the lack of a job. Even so, food stamps may contribute to the inequities of "the system."

The system, in our view is the current mix of Federal welfare programs since duplicative benefits and eligibility criteria allow persons to receive multiple benefits. Assuming the programs are a system, one could view the following flaws as characteristic of the whole, but not necessarily characteristic of individual programs:

--Creates disincentives to family structure by normally giving larger benefits to families headed by a female.

--Creates work disincentives by establishing high welfare tax rates <sup>14/</sup> and overly generous benefits for some recipients.

--Leaves many with an inadequate income.

--Causes administrative error and complexity due to separate accounting systems, quality control

<sup>14/</sup> The welfare tax rate is defined as that percentage of the welfare dollar lost through the addition of an earned dollar.

programs, scores of administrative agencies, and varying eligibility requirements.

It has been argued that, with the exception of promoting family instability, FSP contributes to these failings. Food stamps can and do contribute to excess benefits. In conjunction with other programs, they do create welfare tax rates so high as to discourage exit from the program. Also, as a program--administered by fifty State agencies through countless local government agencies with a bewildering set of regulations--it contributes to the tangle of administrative complexities.

Although the public welfare series of committee prints from the Joint Economic Committee examined the effects created by multiple benefit programs, the impact of food stamps upon these programs has yet to be fully understood.

Methods of improving and better integrating income assistance programs need to be examined closely. Some questions relate to:

--The appropriate balance between in-kind and cash benefit programs. Under what circumstances is one approach to be preferred to the other?

--The relationship of standards of eligibility among complementary programs. To what extent should need or categorical circumstance determine eligibility?

--Among all recipients of public assistance, what role should work incentives play?

--What balance should be sought in accommodating State and Federal administrative and financial capabilities for the delivery of assistance to the needy?

#### Cash out of food stamps

One means of easing the disharmony caused by the interaction of multiple welfare program is simply to eliminate them and substitute a single cash plan. The present administration is now considering that plan, although the probability of such an occurrence taking place soon is very unlikely. The very magnitude of the program would scare voters. The various pieces and bits of the current system are so scattered that the true cost remains hidden.

The rapid growth of food stamps and the comparative success of the program in assisting the needy has helped to sharpen current debate regarding the appropriate balance of in-kind versus cash benefits. Recent proposals for an energy stamp and clothing stamp program have sharpened concern. Many critics argue that in-kind programs tend to be administratively inefficient and fail to give full consideration to the interest of welfare recipients as consumers.

Clarkson, for example, concludes that recipients typically value stamps at less than their cash value. He estimates that a typical food stamp recipient would rather have 83 cents in cash than \$1 in coupons. In fact, sketchy reports indicate that thousands of stamps are exchanged for cash at rates lower than this.

If it is true that recipients would receive equal satisfaction for less money, the possibility exists for cutting back the subsidy and using the difference to institute a comprehensive nutritional outreach and educational program, thus better serving the objectives of the FSP.

The benefits of a cash out are asserted to include: a reduction in opportunities for fraud, particularly trafficking and retail store abuse; elimination of the stigma of using stamps; and elimination of the budget constraints of using stamps. Administrative costs would be lower--on the basis of past experience, 2 percent of total program costs as compared with 7 to 9 percent of an in-kind program.

The arguments against cash out center around the worry that recipients would spend an inadequate portion of their income for food. USDA claims that food stamps are twice as effective as comparable cash supplements in expanding food expenditures. Moreover, program costs could greatly increase. If food stamp benefits are cashed out and benefit levels remain the same, program participation would undoubtedly increase as a discretionary cash income would be more appealing than a more restrictive in-kind benefit.

#### IMPACT OF FOOD STAMPS ON DEMAND

A fifth and less important food stamp issue addresses the food producer's interest in the FSP's impact on demand. An original objective of FSP was to contribute to food producer's incomes. The impact on farm incomes, however, is less immediate than earlier commodity distribution programs which were

keyed directly to the purchase and distribution of surplus commodities. The addition of a dollar of food demand at the retail level adds about 42 cents to sales at the farm level. <sup>15/</sup> Since current program levels approach \$6 billion, the increased receipts to farmers resulting from the program could approach \$2.5 billion.

The amount is much less than that, however, because only 50 to 65 percent of the bonus value of stamps results in increased food purchases, according to USDA. The addition of food stamps allows most families to spend less of their income on food, thus making a portion of the bonus value of the stamps equivalent to cash support. In spite of the 3 billion dollars or so of food stamps that go towards increased food purchases, USDA estimates that farm income is supplemented only by \$1 - \$1.25 billion, retail food store income by \$414 - \$515 million, and other processors and middle men by \$980 million to \$1.25 billion. <sup>16/</sup>

In the most recent Economic Report of the President, <sup>17/</sup> concern was expressed regarding the inflationary impact of FSP. To the extent the program does increase food demand, it contains elements of self-perpetuation in the increased prices normally follow increased demand. As benefits are adjusted semi-annually to reflect changes in food costs, these increased prices cause an increase in bonus value of stamps.

Thus far, little is known regarding the impact of food stamps on the prices or profitability of individual stores. It is quite likely, however, that they have a large impact in low-income urban areas where large numbers of food stamp recipients reside.

<sup>15/</sup> For 2nd quarter 1975, "Marketing & transportation Situation," Aug. 1975, Economic Research Service, USDA.

<sup>16/</sup> USDA report to the Senate, unpublished section.

<sup>17/</sup> Economic Report of the President 1975, p. 183.

CONCLUSIONS

Our basic purpose in this paper was to place in perspective key food stamp issues. Such issues are being widely discussed in Congress and elsewhere. The FSP will likely undergo modification during the next session of Congress. Given the likelihood of changes, it is important that alternative approaches to issues be carefully analyzed so that the implications of any implemented changes can be fully understood.

The causes of inequities and inefficiencies in FSP have been frequently looked at, but their full impact has not always been determined, nor have proposed solutions to correct the presumed faults always been fully examined. All too frequently, quick remedies to other Federal programs have simply proven to be counterproductive because the likely consequences of the remedy had not been subjected to careful evaluation.

In the consideration of any restructuring of FSP, it will be necessary to systematically examine the issues and carefully evaluate the range of possible alternatives. Some analytic efforts already completed and underway can and should contribute to this examination. These include the following:

- Publications in the Joint Economic Committee's public welfare series issued over the past 3 years.
- Various committee prints issued by the Senate Select Committee on Nutrition and Human Needs.
- Many studies on FSP prepared for and by USDA.
- The USDA report to the Senate released in July 1975.
- The analysis of proposed legislation released in November 1975 by the Senate Agriculture Committee.

Some capability of quantitative review also exists within USDA. The USDA FSP simulation model is capable of evaluating the changes in participation rate and cost due to program modifications.

To date, our Office also has completed several reports on FSP which detailed problems in outreach, quality control, and inequities in benefit determination. Work currently underway will cover a broader range of administrative topics, as well as examine the FSP in the context of alternatives to the current income security system.

Further evaluation of alternatives to the existing FSP should give consideration to their impact on the following factors:

- program cost
- participation levels
- nutrition levels
- horizontal and vertical equity of benefit levels
- work incentives/disincentives

Future decisions regarding FSP should not be made in the emotional heat of charges and countercharges regarding the program's benefits and abuses. Rather the decisions should flow from reasoned analysis of the program's strong and weak parts and evaluation of alternative approaches to achieve the FSP's basic objective of insuring that low-income consumers have a decent opportunity to receive adequate food supplies.

Our analysis of food stamp issues led us to reach conclusions regarding several areas which require closer examination in reaching decisions regarding the future of the food stamp program. The areas are sufficiently diverse that future examination could be undertaken in a variety of environments. Some should be seriously considered by the agencies responsible for administering the FSP and related income security programs. Others may be more suited for undertaking by academic institutions or private research organizations. In any event these areas are summarized below under the four major food stamp issues discussed in this study and are presented to help better focus further analysis by those organizations and individuals interested in the FSP.

Even if there are some changes in the legislative mandate of the program over the next several months, the areas discussed below are likely to require additional analysis.

### Target Population

The tradeoffs between itemized and standardized deductions need to be more carefully examined and quantified. Better information is needed on the horizontal and vertical inequities of the present system and on possible inequities which would result from a standard deduction.

Such an analysis should give consideration to various options that lie between the current level of itemized deductions and a straight standard deduction, such as eliminating some deductions, limiting the value of housing or personal assets, or having varying standard deductions for different geographic regions.

### Administration

The FSP will continue to be ready target for criticism until program administration is improved. Better understanding is needed on several areas, including:

- The extent to which USDA's new efficiency and effectiveness (E & E) regulations are improving quality control.
- The extent to which food stamp recipients are complying with work registration requirements and the impact of work registration on food stamp caseload.
- The strengths and weaknesses of allowing various systems for managing food stamps at state and local levels, including coordination of the FSP with other income security programs.
- The feasibility and advantages of common definitions of income among FSP and other income security programs such as Aid to Families with Dependent Children (AFDC) and Supplemental Security Income (SSI).
- The administrative advantages and disadvantages of transferring the FSP from Agriculture to HEW.

### Adequacy of the Food Stamp Program as a Nutrition Program

Additional information is needed to allow analysis of conflicting concerns; (1) that persons on food stamps are able to purchase more food than persons with higher incomes not receiving stamps, and (2) that current food stamp levels are

not adequate to purchase a nutritionally adequate minimal diet. In the case of the first item, the Bureau of Labor Statistics has compiled data showing amounts of money spent on food and a variety of other items by persons at various income levels. The results of this analysis could be compared against the food purchasing capability of food stamp recipients. The potential impact of other food and income security programs that supposedly include a food allowance for individual users also should be carefully considered and the amount of possible duplicate benefits quantified.

Conversely, more information is needed on whether the food stamp allowance is actually adequate to buy a nutritionally adequate minimal diet for persons in different geographical regions and with varying family size and composition.

Interrelationship of Food Stamps  
With Other Income Security Programs

The potential already exists for comparing, in a controlled environment, the food purchases of food stamp recipients and nonusers having a similar cash income. In the Seattle and Denver Income Maintenance Experiments conducted by Stanford Research Institute and funded by HEW, control groups have been established that receive the normal welfare supplements. While the experiments are basically designed to answer work incentive questions, they could be expanded to observe what would happen to food purchases and nutritional intake if the FSP were "cashed out".

In addition, the effects of the cashout of the FSP for Supplemental Security Income recipients in the five states which currently do it could be examined, including a comparison of administrative expenses before and after the cashout.