



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

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COMMUNITY AND ECONOMIC
DEVELOPMENT DIVISION

B-202269

The Honorable Mark Andrews
United States Senate



115840

The Honorable John T. Myers
The Honorable J. Kenneth Robinson
House of Representatives

Subject: [Information on Dine-Out Feature of the
Food Stamp Program] (CED-81-72)

As requested in your letter of June 18, 1980, we have reviewed the dine-out feature of the Department of Agriculture's Food Stamp Program. This feature allows food stamp recipients who are at least 60 years of age or who receive supplemental security income benefits, and their spouses, to use food coupons to pay for meals in authorized restaurants. In addition to its nutritional aspects, this use of food coupons seeks to lessen the special socialization problems, such as feelings of alienation and loneliness, of elderly and disabled persons.

As agreed with Congressman Robinson's office, our contact point on this request, our assessment is based primarily on information available at Agriculture's headquarters in Washington, D.C., with some limited fieldwork as we thought appropriate.

Our review, directed toward providing general information on the dine-out feature, showed that:

- Participation has been limited and major future growth seems unlikely.
- Administrative cost data was not available; estimates indicate such costs are low in actual dollars but high in proportion to restaurant coupon redemptions.
- The feature's socialization goal may be better served through the Department of Health and Human Services' Congregate Nutrition Services Program.

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--Agriculture's Food and Nutrition Service should provide additional guidance to enable States to administer the feature more efficiently.

Our information on these areas and related considerations is summarized below. More detail is included in enclosure I along with a description of the scope of our work.

PARTICIPATION LIMITED AND
FUTURE EXPANSION UNLIKELY

The dine-out feature was authorized by the Agriculture and Consumer Protection Act of 1973; implementation started in 1975 with Hawaii as the first participating State. A complete history of restaurant-redeemed food coupons since 1975 is not available because the Food and Nutrition Service did not begin tabulating such data until April 1979. Since then, the average monthly value by quarter of food coupons redeemed by restaurants increased from \$17,420 to a peak of \$45,771 in the first quarter of 1980 and then decreased to \$25,613 for the quarter ended December 1980. Since April 1979, restaurants have redeemed about \$630,000 worth of food coupons. Details are shown in enclosure I, page 4.

The number of participating States and restaurants also has declined. Although 19 States have participated at one time or another, the number of concurrently participating States declined from a peak of 17 in October 1979 to 10 by November 1980. Texas and Rhode Island, the two most recent withdrawals, left the program in October 1980. (See enc. I, p. 2.) The number of restaurants authorized to accept food coupons also has dropped significantly--from a high of 982 in February 1980 to 658 as of January 16, 1981--primarily because of State withdrawals and the Service's efforts to eliminate inactive restaurants in Iowa. This trend is shown in the table on page 3 of enclosure I.

Six of the nine States that dropped the feature did so because of low participation by eligible food stamp recipients. The Service does not know how many people participate in the dine-out feature. However, we estimated, based on restaurant redemptions during the last 3 months of 1980 and \$2.50 as an average cost for each meal, that 10,250 meals were purchased with food coupons in each of those months. State officials and restaurant personnel told us that much of the restaurant food stamp business was attributable to a relatively small number of regular customers. Therefore, the number of monthly participants was probably appreciably less than 10,250 during October, November, and December 1980. Converted to a weekly basis, there were probably fewer than 2,500 participants.

The removal of several restaurants with relatively high levels of coupon activity from the program was a major factor in the downward trend of restaurant food coupon redemptions. The Service's investigations revealed that seven outlets of two Florida restaurant chains had been accepting coupons from ineligible persons. While it is not possible to determine the value of coupons accepted from ineligible persons, these restaurants had a substantial amount of the total food coupon redemptions for restaurants. For example in April 1980, redemptions from five of these restaurants (two did not redeem any coupons that month) accounted for 44 percent of restaurant redemptions that month nationwide.

Because of limited data, we were unable to make a statistically reliable projection of the future use of food coupons for dining out. However, past events suggest that such use may not grow much, if any, above the fiscal year 1980 level when about \$430,000 worth of food coupons were used in restaurants.

A major factor bearing on the participation level may be eligible participants' limited resources. Food stamp recipients may not be able to afford to spend their food coupons for restaurant meals. Under the Service's thrifty food plan, monthly benefits are calculated for various household sizes based on the theoretical cost of economically priced food purchased in grocery stores for home preparation. Food purchased at grocery stores is generally cheaper than food purchased at restaurants. Therefore, more expensive eating practices such as restaurant dining will require either spending less in grocery stores or committing additional household resources for food.

At the Miami Beach food stamp office, several elderly persons told us that they did not believe they could afford to eat in restaurants. Eight of the 11 people we interviewed thought it was cheaper to buy their food in stores and prepare it at home.

Another Food Stamp Program activity not directly related to the dine-out feature could severely restrict its use. The Service has a cash-out demonstration program which involves providing cash instead of food coupons to food stamp recipients in households containing only persons 65 or older or receiving supplemental security income benefits. Service data shows that nationwide implementation of cash-out would eliminate about 45 percent of those who would be eligible nationally to participate in dine-out because they would no longer be receiving coupons--just cash.

ACHIEVEMENT OF SOCIALIZATION
OBJECTIVE IS UNCERTAIN

A principal goal of the dine-out feature is to promote socialization for eligible participants. We found little or no evidence that this was, or was not, being achieved. In Florida and Pennsylvania, restaurant personnel told us that participants did not always come to the restaurant with others, nor did they usually mingle with others while there. We believe eating alone in a restaurant may do little to fulfill socialization needs. However, some State officials suggested that just getting dressed and getting out of the house could provide social benefits.

LIMITED DATA AVAILABLE
ON ADMINISTRATIVE COSTS

States did not know exactly how much it was costing them to administer the dine-out feature because they had not separated such costs from those associated with the basic Food Stamp Program. However, estimates from four States indicated that it cost these States an average of \$960 a month. While this seems low in terms of absolute dollars, it is equivalent to about 35 percent of the average monthly restaurant redemptions in these States in December 1980. To the extent that these estimates include nonrecurring outreach or other feature initiation costs, the percentage would be lower.

We do not have estimates of Service costs, but Service officials estimated that an authorization and subsequent withdrawal for one restaurant would require up to 5 hours of administrative and clerical effort. The Service would incur additional costs for monitoring restaurant compliance with dine-out regulations. Administrative costs are discussed in more detail starting on page 8 of enclosure I.

ALTERNATIVE PROGRAM AVAILABLE

Another Federal program is available to further nutritional and social goals for elderly people. The Department of Health and Human Services' Congregate Nutrition Services Program, authorized by the Older Americans Act of 1965, as amended, enables elderly persons 60 years of age or over and their spouses, regardless of economic status, to eat a daily meal on weekdays at about 12,500 rural and urban locations nationally. States are to locate meal sites close to the majority of older persons. During fiscal year 1980, the \$267 million funding provided about 150 million meals.

The congregate meals program has several important advantages over the dine-out feature. Some meal sites offer transportation to and from meal sites and planned social activities. It also has the distinct advantage of augmenting income by not requiring payment, although participants may make cash or food coupon donations toward meal cost.

STATES NEED MORE PROGRAM GUIDANCE

Service regulations and guidance provide little information on how States should implement the dine-out feature. Additional guidance is required on the extent of restaurant participation needed to provide adequate coverage, types of restaurants to allow into the program, and whether food coupons may be used for takeout orders. State and Service officials were particularly concerned about allowing into the program establishments that do not always provide traditional seating (booths or tables with chairs).

Service headquarters officials were aware of the adverse effects of unrestricted restaurant participation. They believed certain restaurant settings were preferable because their environment was more conducive to meeting the social goal of the dine-out feature. They also noted the additional administrative effort needed to control program abuse and the possible adverse impact on the program's image because of participation by fast-food establishments. For these reasons, they believed participation should be limited to those restaurants most likely to satisfy program goals.

However, legislation authorizing restaurant participation and its implementing regulations do not contain specific language authorizing limits on restaurant participation. As a result, the Service established a policy that its regional and field offices may not refuse to authorize any restaurants having a valid contract with the State specifying approximate meal prices and offering meals to eligible food stamp recipients at low or reduced prices.

This policy led to extensive restaurant participation in some States. For example, Iowa State officials contracted with about 500 restaurants, 80 percent of which have done little or no food coupon business. However, regardless of whether individual restaurants do any food coupon business, both the Service and the States incur administrative costs to authorize the restaurants for dine-out--costs which could have been avoided or minimized if States had limited participation. Such limitations would have reduced administrative costs required to monitor participating restaurants, prepare and review data on coupon redemption levels, and develop or renew contracts between States and restaurants.

Some States and Service field offices have independently restricted participation or removed inactive restaurants. Texas and Oregon restricted participation to family-style restaurants and cafeterias; and the Service's Des Moines, Iowa, field office has taken action to remove restaurants from the program if they do not redeem any food coupons for 6 months.

Several other administrative problems involving restaurants providing change for coupons, properly identifying eligible customers, and using coupons for takeout orders are discussed in enclosure I, page 12.

Continuation of the dine-out feature of the Food Stamp Program is a matter of congressional policy. As an operating feature of the Food Stamp Program, however, it needs certain improvements and clarifications to facilitate effective and efficient administration. These include

- more specific guidance on the types and numbers of restaurants States should recruit to fulfill program goals, especially the socialization goal;
- a determination of whether food coupons may be used for takeout orders; and
- resolution of restaurants' participant identification problems. For example, the Service could suggest that States ask eligible persons to provide identification as they order their meals.

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We obtained oral comments from Food and Nutrition Service officials on the matters discussed in this report and recognized their views as appropriate in finalizing our report. Service officials agreed that additional guidance was needed but did not commit themselves to specific actions. If these actions cannot be accomplished within the framework of existing law, the Department should seek to amend the legislation accordingly.

B-202269

We are sending this report today to the Secretary of Agriculture, the Secretary of Health and Human Services, the Office of Management and Budget, interested Senate and House committees, and other interested parties.

A handwritten signature in black ink that reads "Henry Eschwege". The signature is written in a cursive style with a large, prominent initial "H".

Henry Eschwege
Director

Enclosure

INFORMATION ON DINE-OUT FEATURE
OF THE FOOD STAMP PROGRAM

Elderly and disabled food stamp recipients and their spouses may use food coupons for low-cost meals at authorized restaurants and other food service establishments such as senior citizens' centers, public schools, or nonprofit private schools. In addition to its nutritional aspects, this use of food stamps seeks to lessen their special socialization problems, such as feelings of alienation and loneliness. Our review focused on the use of food stamps in restaurants, hereafter referred to as the dine-out feature.

LEGAL BASIS AND GENERAL
PROGRAM REQUIREMENTS

The Agriculture and Consumer Protection Act of 1973 amended the Food Stamp Act of 1964 to authorize States to contract with private establishments for the acceptance of food stamps for meals provided at concessional prices. The 1973 act limited participation to food stamp recipients at least 60 years old and their spouses. The Food Stamp Act of 1977 added food stamp recipients receiving supplemental security income benefits as eligible participants in the dine-out feature.

The U.S. Department of Agriculture's Food and Nutrition Service issued implementing regulations during July 1974 and supplemental operating instructions for its regional and field offices in October 1974.

Activities carried out by the State agencies include

- disseminating information about the feature to restaurants, eligible participants, and the general public;
- negotiating participation agreements with applying restaurants; and
- coding eligible persons' food stamp identification cards with a "CD" designation for communal dining.

The Service formally authorizes restaurants to accept food coupons if they have contracted with appropriate State agencies to enter the program.

PARTICIPATION LIMITED AND
FUTURE EXPANSION UNLIKELY

The dine-out feature has not been widely accepted by States, restaurants, or eligible food stamp recipients, and all

participation indicators are down. Restaurants' food coupon redemptions, which peaked at a monthly average of \$45,771 for the quarter ended March 1980, dropped during the following three quarters to a monthly average of \$25,613 in the quarter ended December 1980. For these and other reasons discussed in the following sections, significant growth seems unlikely in future years.

State participation has dropped

Less than half the States have tried the dine-out feature since its authorization. The first participating State, Hawaii, implemented the feature in 1975; Oregon followed in 1977. While 17 other States have tried the feature since 1977, 15 of the 19 have tried it only as a limited demonstration project. Of the 19 States, only 10 were actively participating as of December 31, 1980, as shown in the following table.

Status of States That Have Participated in the Dine-Out Feature

	<u>Date participation started</u>	<u>Date of withdrawal</u>	<u>Participating as of December 31, 1980</u>
Hawaii	6/02/75		X
Oregon	7/26/77		X
Washington	1/04/78	8/03/79	
Florida	3/01/78		X
Iowa	5/08/78		X
Colorado	7/25/78	10/26/79	
Utah	10/05/78	3/31/80	
Minnesota	10/24/78	3/20/80	
Nebraska	11/01/78	10/31/79	
Rhode Island	a/ 4/15/79	10/03/80	
Kansas	4/27/79	4/08/80	
Arizona	5/10/79		X
Alabama	6/26/79		X
South Dakota	8/01/79		X
North Carolina	10/01/79		X
Texas	10/01/79	10/01/80	
Pennsylvania	10/10/79	7/01/80	
Indiana	10/23/79		X
Arkansas	6/11/80		X

a/Service officials estimated that Rhode Island initiated the feature in mid-April 1979.

Officials of six of the nine States which withdrew said they discontinued the feature because of low participation by elderly persons. Reasons cited by the other three included staffing constraints and the belief that recipients preferred to use their available coupons in grocery stores.

Fewer restaurants are redeeming food coupons

Although Service data is not sufficient to allow us to firmly predict future trends in restaurant participation, restaurant involvement may already have peaked. The total number of authorized restaurants declined from a high of 982 in February 1980 to 658 as of January 16, 1981.

The following table lists chronologically the number of restaurants authorized to participate during selected 3-month periods. We chose the quarter ending September 30 as a comparison period for each year because that is the only quarter for which the Service had sufficient data to show trends. We have also included restaurant participation data for the quarter ended December 31, 1980, to show the most current quarterly status.

State	Sept. 1976	Sept. 1977	Sept. 1978	Sept. 1979	Sept. 1980	Dec. 1980
Hawaii	4	28	19	24	28	30
Oreg.		7	34	94	107	109
Wash.			11	3		
Fla.			62	245	206	196
Iowa			357	486	137	100
Colo.				29		
Utah			1	16		
Minn.				5		
Nebr.			6	3		
R.I.				7	2	
Kans.				8		
Ariz.				24	31	30
Ala.				11	13	12
S.Dak.					16	16
N.C.				5	63	58
Pa.						
Ind.					110	109
Ark.					1	1
Tex.					65	
Total	<u>4</u>	<u>35</u>	<u>490</u>	<u>950</u>	<u>779</u>	<u>661</u>

Only a fraction of the 661 restaurants authorized to redeem food coupons during the quarter ended December 1980 were actually actively participating. Service data showed that only 248 restaurants, or 38 percent of those authorized, redeemed food coupons during that quarter. In North Carolina and Oregon, the percentages of authorized restaurants redeeming coupons were only 24 and 16 percent, respectively. The following table

contrasts by State the number of restaurants authorized to participate during the last 3 months of 1980 and the number actually redeeming food coupons for meals. The right column shows the value of the food coupons redeemed by the 248 active restaurants.

Authorized and Redeeming Restaurants and
Coupon Redemptions During the Quarter Ended December 31, 1980

<u>State</u>	<u>Number of authorized restaurants</u>	<u>Restaurants redeeming coupons</u>		
		<u>Number</u>	<u>Percent of authorized</u>	<u>Value of average monthly redemptions</u>
Alabama	12	9	75	\$ 809
Arizona	30	10	33	401
Arkansas	1	1	100	88
Florida	196	67	34	10,530
Hawaii	30	22	73	7,681
Indiana	109	57	52	1,717
Iowa	100	45	45	2,045
North Carolina	58	14	24	388
Oregon	109	17	16	1,836
South Dakota	16	6	38	118
Total	<u>661</u>	<u>248</u>	38	<u>\$25,613</u>

Coupon use in restaurants
has peaked and is declining

As shown in the preceding table, use of food coupons in restaurants has been low. The December 1980 redemptions represent only 0.003 percent of the \$747,765,503 total monthly redemptions for the Food Stamp Program. This is equivalent to about \$3 of every \$100,000 worth of coupons redeemed.

The Service started maintaining redemption data for the dine-out feature in April 1979. The following table shows Service-reported data by quarter for the value of coupons restaurants have redeemed since then and the percent of change from quarter to quarter.

Average Monthly Food Coupon Redemptions by Quarter

<u>Quarter ended</u>	<u>Amount</u>	<u>Percent change</u>
June 1979	\$17,420	
September 1979	23,882	37
December 1979	25,672	7
March 1980	45,771	78
June 1980	37,962	-17
September 1980	33,412	-12
December 1980	25,613	-23

Since April 1979, restaurants have redeemed about \$630,000 worth of food coupons.

Low popularity and economic considerations

Perhaps the most important factor pointing to limited participation is that food stamp benefits are calculated on the premise that people will buy food in grocery stores and prepare meals at home. Therefore, because eligible food stamp recipients have low incomes, they simply may not be able to afford restaurant meals.

Monthly household allotments of food coupons are based on the Department's thrifty food plan, which embodies the principles of selective shopping and low-cost eating based on home preparation. Food coupon allotments are designed to provide recipients sufficient resources, when combined with other available household resources, to purchase food in grocery stores for home preparation. A Service official told us that the average monthly food coupon allotment provided to households containing at least one person 60 years of age or older was \$41.

We attempted to interview dine-out participants in several Florida and Pennsylvania restaurants. However, we were able to locate only two participants and were unsuccessful in our attempts to obtain usable information from them. We subsequently interviewed 11 elderly persons at the Miami Beach food stamp office. Several of these people told us that they could more prudently use their food coupons in grocery stores and prepare food at home. Eight of them thought it less costly to prepare meals at home, one thought it less costly to eat at restaurants, and two saw little difference.

The most frequently offered reason for not using food coupons in restaurants was that they could not afford it. Other reasons were that they

--preferred their own cooking,

- were not satisfied with the choice of participating restaurants,
- were not aware of the dine-out feature, or
- were embarrassed to go to restaurants because of physical disabilities.

Several Service and State officials cited some food stamp recipients' belief that their food-buying power was reduced when the food stamp purchase requirement was dropped and they consequently received reduced food stamp benefits. These benefits can also be reduced as a result of increases in household income such as social security benefits. Total household resources--food coupons plus cash--for purchasing food would not have been decreased by such changes; however, participants' mistaken perception that reduced food stamp benefits mean less to spend for food could influence their decision on whether to use the dine-out feature.

This impression would become even more important when coupled with a belief that food coupons go further in grocery stores than in restaurants. A Colorado Social Services official said that the dine-out feature in his State was moderately successful early in its implementation but that participation all but ceased when the food stamp purchase requirement was dropped. Service regulations required that States eliminate the purchase requirement no later than January 1, 1979.

No data on persons participating

The Service does not know how many people participate in dine-out. To try to quantify participation, we made a rough estimate of how many meals were purchased with food coupons. Based on an average meal cost of \$2.50, about 10,250 meals would have been purchased monthly during the last 3 months of 1980 when restaurants redeemed an average of \$25,613 worth of food coupons monthly.

Five of the eight restaurant managers interviewed told us they had only a small number--ranging from 2 to less than 20--of regular food stamp customers and rarely received coupons from anyone else. Consequently, the average number of persons participating in dine-out for these months was probably less than the estimated number of restaurant meals (10,250) we computed. Converted to a weekly basis, there were probably fewer than 2,500 participants. In Pennsylvania, of 10,000 persons eligible to participate within the Dauphin County (Harrisburg) demonstration area, only 200 actually applied for the required dine-out identification

card. In North Carolina, a State official estimated that only 30 people were participating in the State's four-county pilot project.

Some restaurants violating regulations
have been disqualified

Much of the monthly decline in restaurant coupon redemptions can be attributed to certain restaurants being disqualified from participating in the dine-out feature. Service investigators found that seven outlets of two restaurant franchises in Florida were accepting food coupons from customers who were not eligible to buy restaurant food with coupons. While the Service and the States do not have information on the total value of coupons accepted from ineligible persons by these restaurants, Service data shows that six of the seven outlets had been doing a substantial portion of the restaurant food stamp business. For example, in April 1980, five of the seven restaurant outlets (two reported no redemptions in April) redeemed \$19,699 in coupons, 70 percent of the total restaurant food coupon volume in Florida and 44 percent of the redemptions nationally for that month. Service officials told us additional investigations of restaurant redemptions are expected.

Cash-out possibility

Another Food Stamp Program activity could affect the size of the dine-out feature. The 1977 food stamp act authorized Agriculture to test, by pilot or experimental projects, a cash-out concept. Under this concept, households comprised solely of individuals 65 years of age or older and/or individuals receiving supplemental security income benefits would receive food assistance in cash in lieu of coupons. Currently, Agriculture is testing cash-out in eight areas. Based on Service data, we calculated that implementing cash-out nationally could eliminate about 45 percent of those eligible nationwide to participate in the dine-out feature. (The remaining 55 percent would be food stamp recipients not meeting the age or disability criteria for cash-out.)

Circumstances make dine-out growth unlikely

We are unable to project, based on statistical analysis, whether the dine-out feature will experience significant growth in future years. Statistical data on food coupon redemptions by restaurants is available for only a short period--since April 1979. This does not provide a sufficient data base on which to make valid projections. However, program events do not point to dramatic growth. Past events suggest that coupon use may not grow much, if any, above the fiscal year 1980 level when restaurants redeemed about \$430,000 worth of food coupons.

ACHIEVEMENT OF SOCIALIZATION
OBJECTIVE IS UNCERTAIN

A principal goal of the dine-out feature is to promote socialization for eligible participants. Restaurant managers in Florida and Pennsylvania, the two States visited, told us that eligible participants sometimes came to the restaurant with others and sometimes came alone. While there, some mingled, but others ate alone. We believe eating alone in a restaurant may not do much to further the intent of the dine-out feature by lessening participants' feelings of alienation and/or loneliness. However, some State officials suggested that just dressing, getting out of the house, and seeing other people could provide social benefits. A headquarters Service official told us that the Service did not know how well the socialization goal was being achieved because it had not received feedback on this program aspect.

LIMITED DATA AVAILABLE
ON ADMINISTRATIVE COSTS

None of the participating States knew exactly how much administering the dine-out feature had cost them because they had not separated its administrative costs from those associated with the basic Food Stamp Program. However, four States gave us rough estimates of their costs for activities such as publicizing and providing outreach for the feature, coding identification cards, and recruiting and contracting with restaurants. The average of the estimates for these four States was \$960 a month--an amount equal to about 35 percent of the average monthly restaurant redemptions for these States in December 1980. To the extent that these estimates include nonrecurring outreach or other feature initiation costs, the percentage would be lower. Estimates of Service costs were not available, but Service officials told us that an authorization and subsequent withdrawal for one restaurant would require about 4 to 5 hours of Service administrative and clerical time. Additional costs would be involved in Service monitoring of restaurant compliance with dine-out regulations.

Most of the State officials we asked said that administrative costs were not very high. Several believed that the feature was worthwhile even if only a few persons were participating, but officials of other States, including some that had already withdrawn from the feature, and some Service officials said that the amount of time and money expended did not warrant continuing the feature in view of its low use. One Service field official referred to July 1980 redemption statistics which showed that only 15 of 87 authorized restaurants in his area had reported any redemptions. Those redemptions, totaling \$888, averaged about \$60 per active restaurant. A Service regional official said

that restaurants in one State in his region were redeeming an average of only \$14 of food coupons monthly and that the administrative costs were greater than the feature warranted.

ALTERNATIVE PROGRAM AVAILABLE

Another Federal program is available to further nutritional and social goals for elderly persons. The Department of Health and Human Services' Congregate Nutrition Services Program, authorized under the Older Americans Act of 1965, as amended, offers both congregate and home-delivered meals. The congregate portion was funded at about \$267 million for fiscal year 1980. Meals are provided to counteract the effects of malnutrition and social isolation, prevent institutionalization, and augment income. Under this program, funds are distributed to each State by formula grants to provide at least one meal daily--usually the noon meal--5 days a week to persons who are at least 60 years old, and their spouses, regardless of economic status. (Meals are usually not provided on weekends or holidays.)

All States participate in this program, which has about 12,500 rural and urban congregate meal locations nationwide. Congregate meal sites are required to be located close to and, where feasible and appropriate, within walking distance of the majority of older persons in the area. The program served about 150 million meals in fiscal year 1980. In addition, some meal sites offer transportation to and from the meal sites and planned social activities. Some health checks are also offered.

A distinct advantage of the congregate meals sites over the dine-out feature is that participants are not required to pay for the meals although donations are accepted in either cash or food coupons. In addition, these congregate facilities would seem to offer more opportunities for social interaction and recreation. For example, a participant at one meal site in Harrisburg, Pennsylvania, told us that she typically played shuffleboard, table tennis, and bingo at the site.

STATES NEED MORE PROGRAM GUIDANCE

Service regulations for the dine-out feature provide little information on how States should implement it. They provide only that meals are to be offered at low cost and that the contract between the State and the restaurant is to specify average prices. The regulations do not contain any guidance on

- the extent of restaurant participation needed to provide adequate coverage and
- the types of restaurants with which States should contract.

We noted that more guidance was also needed on certain administrative and technical matters.

Guidance needed on restaurant participation

The Service's instructional manual for its regional and field staffs provides some criteria for authorizing restaurants to receive food coupons. It lists information to be included in State-restaurant contracts such as approximate prices and any discounts offered and instructs Service field officials to review such contracts to determine whether the restaurants' plans for serving participants will further the program's purposes. However, it does not establish any nutritional or socialization objectives or suggest how these could best be accomplished except to specify that restaurants offering only high cost meals should not be allowed to participate. This manual contains some information that may be helpful to States, but it is not disseminated to them.

Some Service officials have indicated a need for information in addition to that available in the instructional manual. In May 1978 the program director of the Service's Mountain Plains Regional Office wrote to the headquarters office to obtain additional guidance on the dine-out feature because of concerns about admitting fast-food restaurants into the program. He said that "we feel the guidelines are rather vague as to the types of restaurants that can be authorized." He also expressed concern that widespread inclusion of fast-food establishments could lead to program violations and pointed out that many such establishments do not always provide traditional seating arrangements (booths or tables with chairs).

In a response directed to all of the Service's State food stamp directors, the Service said that the widespread authorization of eating establishments presented a serious problem which it intended to address in a subsequent issue paper.

Service officials believed restaurant participation should be restricted

The Service's June 30, 1978, issue paper concluded that restaurant participation ought to be restricted but that the Service did not have authority to do so. Service officials believed that many restaurants do not have appropriate facilities to satisfy the dine-out feature's socialization goal. However, legislation authorizing meal services, including restaurant participation, and regulations do not contain specific language allowing limits on restaurant participation. As a result, the Service established a policy that its regional and field offices may not refuse to authorize any restaurant having a valid contract

with a State specifying approximate meal prices and offering meals to eligible food stamp recipients at low or reduced prices.

Under this ongoing policy, the Service authorized many restaurants which have done little or no food coupon business. For example, Iowa officials actively sought extensive restaurant participation. As a result, about 500 Iowa restaurants applied for and received Service authorization to accept food coupons for meals. However, the number of restaurants still in the program had dwindled to 100 by the end of 1980. During the last 3 months of 1980, only 45 of those 100 redeemed coupons.

Administrative costs would be lower if State staff responsible for recruiting restaurants had been more selective. This would have reduced costs associated with monitoring participating restaurants, preparing and reviewing data on coupon redemption levels, and developing or renewing contracts with restaurants. A Florida official said that contracting with only those restaurants located in neighborhoods easily accessible to the elderly would have lessened administrative costs.

Service officials noted several other potential problems stemming from widespread restaurant participation, including:

- Added administrative effort by Service officials to limit program abuse and investigate restaurants suspected of violating program regulations.
- An increase in the number and kinds of commercial establishments authorized to accept food coupons. This was viewed as being inconsistent with provisions of the Food Stamp Act of 1977 which sought to restrict the types of establishments authorized to accept and redeem food coupons. For example, the act stipulates, in the case of food wholesalers, that only those wholesalers needed for effective and efficient program operation may be authorized to accept food coupons.
- An adverse impact on the Food Stamp Program's image because of fast-food restaurant participation.

Some efforts made to restrict
or reduce restaurant participation

Some States and Service field offices have taken steps to minimize or reduce administrative costs by restricting restaurant participation or removing inactive restaurants from the program. Texas and Oregon have restricted participation to family-style restaurants or cafeterias. Utah recruited restaurants

located in areas easily accessible to eligible participants. Also, the Service's Iowa field office is removing from the program authorized Iowa restaurants if they have not redeemed any coupons for at least 6 months. The field office sends them a letter noting their lack of redemptions and advises that it has determined that their continued participation will not further the program's purpose. Restaurants are given 10 days to respond if they wish to continue participating. A field official told us that of about 400 restaurants to which such letters have been sent, very few have objected to the Service's request that they voluntarily withdraw. By the end of 1980, restaurant participation had dropped from a high of 486 to 100--about an 80-percent reduction.

Other matters on which additional guidance is needed

We discovered other administrative or technical problems on which additional Service guidance is needed.

Food stamp regulations require that change in amounts greater than 99 cents must be made with uncanceled and unmarked \$1 coupons which were previously accepted for eligible meals. Based on our interviews with program officials and restaurant management, we found that participating restaurants sometimes had difficulty making change because they did not have any small-denomination food coupons. If a customer does not pay in coupon denominations requiring less than \$1 in change (in which case the restaurant could use coins), restaurants not having small-denomination coupons on hand to make change might be forced, for practical purposes, to violate the regulations. Service officials recognized that this could be a problem but were unsure of a practical solution.

Currently, restaurant personnel must assure that only eligible persons use food coupons for their meals. Unless restaurants obtain identification before providing meal service, thus possibly offending individuals not receiving or using coupons, they risk having ineligible persons present food coupons as payment after they have eaten. If ineligible persons attempt to pay with food coupons, restaurant management must choose whether to accept or properly reject the coupons. If restaurant personnel refuse to accept the food coupons and the ineligible person is unwilling or unable to pay by other acceptable means such as cash or check, the restaurant risks not being paid for the meal. To lessen the burden on restaurants, one option would be to have eligible persons provide identification as they order their meals.

Some doubt exists about whether the use of food coupons for takeout orders would allow reasonable opportunities for

socialization. Management officials for one restaurant in Florida and several in Pennsylvania told us that they had been accepting food coupons for takeout meals. Others told us they would accept coupons for this type of service. However, the Service has no guidance on whether food coupons may be used for takeout orders.

OBJECTIVES, SCOPE, AND METHODOLOGY

As agreed with Congressman Robinson's office, the scope of our work was limited to compiling and analyzing information available at Service headquarters and visiting a few field locations. The objectives were to estimate growth in the use of food coupons for restaurant meals, examine achievement of socialization goals, and obtain data on the feature's financial impact on program participants.

We reviewed the legislation and Service regulations, procedures, and program participation statistics relating to the dine-out feature. We relied extensively on the Service's data on restaurant participation and food coupon use for restaurant meals but did not verify that information. We also obtained information on the purpose and size of the Department of Health and Human Services' Congregate Nutrition Services Program. We interviewed Service officials responsible for program administration at the Service's Washington, D.C., headquarters and its field offices in Harrisburg, Pennsylvania, and Miami, Florida. We telephoned Service officials in three other States and in one of its regional offices and talked by telephone with officials from all 19 States that had tried the dine-out feature.

Our fieldwork was done in Florida and Pennsylvania. We selected Florida because it has consistently had the highest food coupon use in restaurants and Pennsylvania because it had recently dropped the dine-out feature. In these States, we spoke with Service and State program officials and restaurant management on their perceptions of dine-out, including how well it was operating and whether improvements were needed.

We attempted to interview former dine-out participants in Pennsylvania and current participants in Florida but were able to locate only two--both in Florida. As an alternative, we visited the food stamp office in Miami Beach, Florida, and interviewed 11 elderly persons who were either applying for, or were being recertified for, food coupons. We asked these persons about using food coupons in restaurants to further social and nutritional objectives. We also visited two congregate meal sites in Harrisburg to observe what these sites offered.

We were not able to statistically project future levels of participation in the dine-out feature. The Service has collected restaurant redemption data only since April 1979--the program has been underway for about 6 years. We believe that 2 years is too short a time frame on which to base a valid projection of future program size. We have, however, given an informed opinion based on various operating indicators and our knowledge of pertinent aspects of the Food Stamp Program.