

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

FOR RELEASE ON DELIVERY
EXPECTED AT 2 P.M., EST
MONDAY, MARCH 30, 1981

STATEMENT OF
BRIAN P. CROWLEY, ASSOCIATE DIRECTOR, SENIOR LEVEL
COMMUNITY AND ECONOMIC DEVELOPMENT DIVISION

BEFORE THE

SUBCOMMITTEE ON DOMESTIC MARKETING,
CONSUMER RELATIONS, AND NUTRITION
OF THE
HOUSE COMMITTEE ON AGRICULTURE

ON

GENERAL ACCOUNTING OFFICE ^{GAO} REVIEWS OF
THE FOOD STAMP PROGRAM

*See 016042
for abstract.
(if it is adequate)*

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

WE ARE HERE TODAY AT YOUR INVITATION TO PROVIDE INFORMATION ON THE RESULTS OF SOME OF OUR REVIEWS RELATING TO THE DEPARTMENT OF AGRICULTURE'S FOOD STAMP PROGRAM AND TO OFFER OUR VIEWS ON THE PRESIDENT'S PROPOSED BUDGET REDUCTIONS AFFECTING THIS PROGRAM. I WILL HIGHLIGHT THE MAJOR ISSUES INVOLVED. THE APPENDIX TO MY STATEMENT PROVIDES ADDITIONAL INFORMATION FOR THE RECORD.

OVERLAPS AND GAPS IN FOOD ASSISTANCE PROGRAMS



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THERE ARE 13 MAJOR FEDERAL DOMESTIC PROGRAMS, COSTING MANY BILLIONS OF DOLLARS A YEAR, THAT PROVIDE FOOD OR FOOD-RELATED ASSISTANCE TO NEEDY AMERICANS. THESE PROGRAMS HAVE HELPED MANY PEOPLE OBTAIN MORE ADEQUATE DIETS, AND THE FEDERAL GOVERNMENT'S RESPONSIBILITY TO PROVIDE SUCH ASSISTANCE IS GENERALLY RECOGNIZED AND ACCEPTED. HOWEVER, THE LARGE AND ACCELERATING COSTS OF THE PROGRAMS AND THEIR PIECEMEAL AUTHORIZATION AND ADMINISTRATION

*This is an expansion
of 016042*

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POINT TO A NEED TO EXAMINE THE PROGRAMS' INTERRELATIONSHIPS AND EFFECTIVENESS.

THE PRESIDENT HAS PROPOSED ELIMINATING THE OVERLAP BETWEEN FOOD STAMP AND SCHOOL LUNCH SUBSIDIES. WE AGREE THAT SUBSTANTIAL SAVINGS WOULD BE POSSIBLE BY ELIMINATING THIS OVERLAP. THIS SUBJECT WAS INCLUDED IN OUR JUNE 1978 REPORT WHICH DISCUSSED FOOD PROGRAM BENEFIT OVERLAPS AND GAPS, AND DIFFERENCES IN PROGRAM ELIGIBILITY. OUR REVIEW SHOWED THAT SOME LOW-INCOME FAMILIES PARTICIPATED SIMULTANEOUSLY IN AS MANY AS SIX DIFFERENT FEDERAL PROGRAMS PROVIDING FOOD ASSISTANCE. THIS MULTIPLE PARTICIPATION IS SPECIFICALLY SANCTIONED IN THE LEGISLATION AUTHORIZING MOST FOOD PROGRAMS. WE FOUND THAT, AS A RESULT, SOME NEEDY HOUSEHOLDS COULD RECEIVE MORE IN FOOD BENEFITS THAN THE AVERAGE AMOUNTS AMERICAN FAMILIES OF COMPARABLE SIZE SPEND FOR FOOD.

BENEFIT AMOUNTS IN SAMPLE CASES RANGED FROM 104 PERCENT TO 192 PERCENT OF THE AMOUNT A HOUSEHOLD WOULD NEED TO PURCHASE A THRIFTY FOOD PLAN DIET (A LOW-COST FOOD PLAN THE DEPARTMENT OF AGRICULTURE HAS DEVELOPED TO PROVIDE MOST OF THE RECOMMENDED DIETARY ALLOWANCES ESTABLISHED BY THE NATIONAL ACADEMY OF SCIENCES). IN CONSIDERING THE RESULTS OF OUR ANALYSIS IT SHOULD BE NOTED THAT WHAT WE WERE COMPARING TO THE THRIFTY FOOD PLAN COST FOR A PARTICULAR HOUSEHOLD WAS FREE FEDERAL BENEFITS. NO PART OF A HOUSEHOLD'S EARNED INCOME OR OTHER RESOURCES WAS COUNTED EVEN THOUGH BENEFITS UNDER THE MAJOR FEEDING PROGRAM (FOOD STAMPS) ARE CALCULATED ON THE PREMISE THAT MOST HOUSEHOLDS CAN AND SHOULD USE SOME OF THEIR OWN INCOME (ABOUT 30 PERCENT) TO HELP PAY FOR THEIR FOOD NEEDS.

THE MOST FREQUENT MULTIPLE PROGRAM COMBINATIONS WE FOUND FOR HOUSEHOLDS WHOSE BENEFITS EXCEEDED 100 PERCENT OF THRIFTY FOOD PLAN COST INVOLVED FOOD STAMPS, AID TO FAMILIES WITH DEPENDENT CHILDREN (AFDC), SCHOOL LUNCH, SCHOOL BREAKFAST, AND SPECIAL MILK. A TYPICAL BENEFIT OVERLAP INVOLVES FOOD STAMP AND SCHOOL LUNCH BENEFITS. IN OUR REPORT, WE ESTIMATED THAT THIS OVERLAP RESULTED IN \$112 MILLION OF ADDITIONAL COST TO THE FEDERAL GOVERNMENT BASED ON THE ASSUMPTIONS DESCRIBED IN THE REPORT. WE NOTED, HOWEVER, THAT OUR ESTIMATE WAS INTENTIONALLY CONSERVATIVE BECAUSE WE SOUGHT TO AVOID OVERSTATING POTENTIAL SAVINGS. DIFFERENT ASSUMPTIONS WOULD RESULT IN DIFFERENT ESTIMATES.

WE HAVE UPDATED THIS ESTIMATE USING PARTICIPATION DATA SHOWING THE NUMBER OF SCHOOL-AGE CHILDREN PARTICIPATING IN THE FOOD STAMP PROGRAM RATHER THAN THE NUMBER OF FOOD STAMP HOUSEHOLDS CONTAINING SCHOOL-AGE CHILDREN, AND THE CURRENT SPECIAL FEDERAL SCHOOL SUBSIDY AMOUNT FOR FREE LUNCHES. BASED ON THIS INFORMATION, THE BENEFIT OVERLAP BETWEEN THE FOOD STAMP AND SCHOOL LUNCH PROGRAMS WOULD BE ABOUT \$566 MILLION A YEAR. USING MORE CURRENT PARTICIPATION DATA WOULD INCREASE THIS OVERLAP AMOUNT. BECAUSE OUR COMPUTATION IS BASED ON THE COST OF THE FEDERAL SUBSIDY FOR SCHOOL LUNCHES WHICH IS GREATER THAN THE VALUE OF A LUNCH BENEFIT UNDER THE THRIFTY FOOD PLAN, POTENTIAL SAVINGS FROM OFFSETTING SCHOOL LUNCH BENEFITS AGAINST FOOD STAMP BENEFITS WOULD REALISTICALLY BE SOMEWHAT LESS THAN THE OVERLAP AMOUNT.

THERE ARE ALTERNATIVE APPROACHES THAT COULD BE USED TO ELIMINATE THESE OVERLAPPING BENEFITS USING OFFSETS IN EITHER THE FOOD STAMP OR SCHOOL LUNCH PROGRAMS. WE HAVE NOT DETERMINED HOW

MUCH ADDITIONAL COST AND EFFORT WOULD BE INVOLVED IN ADMINISTERING PROGRAM CHANGES IN THIS REGARD. IN ADDITION TO THE FIVE PROGRAMS ALREADY MENTIONED, OVERLAPS AND POTENTIAL SAVINGS ARE AVAILABLE REGARDING OTHER PROGRAMS SUCH AS THE SUMMER FOOD SERVICE, CHILD CARE FEEDING, AND SUPPLEMENTAL SECURITY INCOME PROGRAMS. WE DO NOT HAVE ESTIMATES OF WHAT SUCH OVERLAPS AND POTENTIAL SAVINGS WOULD BE.

WE RECOMMENDED IN 1978 THAT AGRICULTURE EXPLORE THIS MATTER OF OVERLAP FURTHER AND SUGGEST CHANGES IN THE AUTHORIZING LEGISLATION AS MAY BE NECESSARY. TO OUR KNOWLEDGE, AGRICULTURE DID NOT PURSUE THIS MATTER.

ADMINISTRATIVE INCONSISTENCIES

THE LEGISLATION AND REGULATIONS GOVERNING THE VARIOUS FEDERAL FOOD ASSISTANCE PROGRAMS CONTAIN MAJOR DIFFERENCES IN BASIC ELIGIBILITY CRITERIA AND PROCEDURES. ALTHOUGH ALL THE PROGRAMS ARE EITHER TOTALLY OR PARTIALLY DIRECTED TO THE NEEDY, THERE IS NO SINGLE UNIFORM DEFINITION OF THE TERM "NEEDY" WHICH APPLIES TO ALL PROGRAMS. MOST OF THE PROGRAMS HAVE INCOME STANDARDS AGAINST WHICH POTENTIAL PARTICIPANTS ARE MEASURED, BUT SUCH STANDARDS, ASSET LIMITATIONS, AND ALLOWABLE INCOME EXCLUSIONS AND DEDUCTIONS ARE NOT CONSISTENT AMONG THE PROGRAMS. SUCH INCONSISTENCIES CAN CREATE INEQUITIES, ADMINISTRATIVE COMPLICATIONS, AND CONFUSION. THERE IS STILL A NEED TO ACT ON OUR EARLIER RECOMMENDATIONS.

INDIVIDUALIZED FOOD STAMP BENEFITS

ANOTHER AREA OF POTENTIAL SAVINGS DISCUSSED WAS THE USE OF INDIVIDUALIZED FOOD STAMP ALLOTMENTS. BY REGULATION AND LAW, THE UNIFORM FOOD STAMP ALLOTMENTS ARE BASED ON THRIFTY FOOD PLAN

COSTS FOR A MODEL FOUR-PERSON HOUSEHOLD CONSISTING OF TWO ADULTS (A MAN AND WOMAN), AND TWO CHILDREN. UNIFORM ALLOTMENTS FOR HOUSEHOLDS OF OTHER SIZES ARE COMPUTED FROM THE FOUR-PERSON HOUSEHOLD ALLOTMENT LEVEL WITH ADJUSTMENTS FOR ECONOMY OF SCALE.

BECAUSE NUTRITIONAL NEEDS AND THRIFTY FOOD PLAN COSTS VARY DEPENDING ON THE SPECIFIC SEX AND AGE MAKEUP OF THE HOUSEHOLD, USE OF UNIFORM FOOD STAMP ALLOTMENTS COULD ENABLE SOME FAMILIES WITH LOWER NUTRITIONAL NEEDS, SUCH AS A HOUSEHOLD CONSISTING OF A MOTHER AND THREE YOUNG CHILDREN, TO RECEIVE MORE BENEFITS THAN WOULD BE INDICATED BY THEIR INDIVIDUALIZED THRIFTY FOOD PLAN COSTS. IN CONTRAST, BENEFITS BASED ON UNIFORM ALLOTMENTS WOULD PROBABLY BE LESS THAN INDICATED FOR A FOUR-PERSON HOUSEHOLD IN WHICH THE CHILDREN WERE ALL TEENAGE BOYS.

IN OUR 1978 REPORT, WE ESTIMATED THE SAVINGS ACHIEVEABLE AT THAT TIME BY USING INDIVIDUALIZED RATHER THAN UNIFORM ALLOTMENTS. IF HOUSEHOLDS RECEIVING LESS THAN THEIR INDIVIDUALIZED THRIFTY FOOD PLAN COSTS WERE GIVEN ENOUGH EXTRA FOOD STAMPS TO BRING THEIR ALLOTMENTS UP TO THEIR THRIFTY FOOD PLAN COSTS, THE INCREASED MONTHLY COST WOULD BE ABOUT \$12.7 MILLION. CORRESPONDINGLY, IF HOUSEHOLDS WHOSE FOOD STAMP ALLOTMENTS WERE MORE THAN THEIR THRIFTY FOOD PLAN COSTS HAD THEIR ALLOTMENTS REDUCED TO THEIR THRIFTY FOOD PLAN LEVEL, THE MONTHLY SAVINGS WOULD BE ABOUT \$60.1 MILLION--A NET SAVINGS IN FOOD STAMPS TO THE FEDERAL GOVERNMENT AT THE TIME OF OUR 1978 REPORT OF ABOUT \$47.4 MILLION MONTHLY, OR ABOUT \$570 MILLION ANNUALLY.

A 1977 REPORT BY THE CONGRESSIONAL BUDGET OFFICE ALSO CON-
CLUDED THAT:

"PROVIDING APPLICANT FOOD STAMP HOUSEHOLDS AN ALLOTMENT LEVEL DETERMINED BY THE SPECIFIC SEX AND AGE CHARACTERISTICS OF THE HOUSEHOLD WOULD SIGNIFICANTLY REDUCE FEDERAL BONUS COSTS AND PRESUMABLY COME CLOSEST TO TARGETING BENEFITS ON SPECIFIC NUTRITIONAL NEEDS."

WITHOUT AN EXTENSIVE UPDATE OF OUR EARLIER STUDY, WE CAN ONLY OFFER AN EDUCATED GUESS OF POTENTIAL SAVINGS. AT THIS TIME, TOTAL PROGRAM BENEFITS HAVE INCREASED ABOUT 92 PERCENT SINCE WE ANALYZED ALLOTMENTS FOR OUR 1978 REPORT AND, ON THIS BASIS, ANNUAL SAVINGS FROM INDIVIDUALIZED ALLOTMENTS MIGHT WELL APPROACH THE \$1 BILLION LEVEL.

WE RECOMMENDED IN 1978 THAT AGRICULTURE ESTABLISH DEMONSTRATION PROJECTS TO EVALUATE THE INCREASED ADMINISTRATIVE COST AND ERROR, IF ANY, THAT WOULD RESULT FROM AN INDIVIDUALIZED SYSTEM OF FOOD STAMP ALLOTMENTS. WE SAID THAT IF SUCH DEMONSTRATION PROJECTS SHOWED THE ADMINISTRATIVE FEASIBILITY OF INDIVIDUALIZED ALLOTMENTS, THE CONGRESS COULD AUTHORIZE THE SECRETARY OF AGRICULTURE TO IMPLEMENT SUCH ALLOTMENTS NATIONWIDE. NO ACTION WAS TAKEN. WE BELIEVE THESE RECOMMENDATIONS CONTINUE TO MERIT ACTION.

OVERISSUANCES AND SUSPECTED RECIPIENT FRAUD

IN A REVIEW COMPLETED IN 1977, WE ASSESSED EFFORTS TO IDENTIFY AND RECOVER OVERISSUANCES OF FOOD STAMP BENEFITS. AT THAT TIME, WE ESTIMATED THAT THE GOVERNMENT WAS LOSING OVER A HALF A BILLION DOLLARS ANNUALLY BECAUSE OF ERRORS, MISREPRESENTATIONS, AND SUSPECTED FRAUD BY RECIPIENTS, AND BY ERRORS BY LOCAL FOOD STAMP OFFICES. FOR EVERY \$100 OF THE MORE THAN \$5 BILLION IN BENEFITS ISSUED NATIONALLY IN FISCAL YEAR 1976, OVERISSUANCES

ACCOUNTED FOR ABOUT \$12; ONLY ABOUT 12 CENTS OF THAT \$12 HAD BEEN RECOVERED. THE LOCAL PROJECTS WE REVIEWED WERE DOING LITTLE TO IDENTIFY AND RECOVER THE VALUE OF OVERISSUANCES.

SINCE THEN, THERE HAVE BEEN A NUMBER OF LEGISLATIVE AND ADMINISTRATIVE CHANGES TO DEAL WITH FRAUD AND OTHER OVERISSUANCES. ACCORDING TO RECENT AGRICULTURE DATA, STATE RECOVERIES OF OVERISSUANCES HAVE IMPROVED SOMEWHAT. FOR EVERY \$100 OF THE NEARLY \$8.7 BILLION IN BENEFITS ISSUED NATIONALLY IN FISCAL YEAR 1980, OVERISSUANCES ACCOUNTED FOR ABOUT \$10.20. ABOUT 46 CENTS OF THAT \$10.20 HAD BEEN RECOVERED. OVERALL, HOWEVER, AS PROGRAM OUTLAYS INCREASED, OVERISSUANCES INCREASED AND REACHED AN ESTIMATED \$887 MILLION THAT YEAR.

WE BELIEVE THAT, IN ADDITION TO THE CHANGES MADE TO DEAL WITH OVERISSUANCES, FURTHER STEPS ARE NEEDED. THESE INCLUDE REVISING THE 1977 ACT TO

- PERMIT LONGER DISQUALIFICATION PERIODS FOR RECIPIENTS ADMINISTRATIVELY FOUND GUILTY OF FRAUD (CURRENTLY ONLY 3 MONTHS) AND
- PERMIT STATES TO RETAIN A PORTION OF ALL OVERISSUANCES RECOVERED INSTEAD OF ONLY THOSE INVOLVING RECIPIENT FRAUD RECOVERIES AS IS NOW THE CASE.

STRIKERS' PARTICIPATION

A FEW DAYS AGO, WE REPORTED ON THE COST OF THE FOOD STAMP BENEFITS TO HOUSEHOLDS CONTAINING A STRIKER AND FLUCTUATIONS IN STRIKERS' PARTICIPATION IN THE PROGRAM. FROM HISTORICAL AGRICULTURE AND LABOR DATA, WE ESTIMATED THAT FOR FISCAL YEAR 1980, HOUSEHOLDS CONTAINING A STRIKER RECEIVED ABOUT \$37 MILLION IN

FOOD COUPONS. ABOUT 24,000 STRIKERS PARTICIPATED IN THE PROGRAM MONTHLY. THERE DID NOT SEEM TO BE ANY CONSISTENT RELATIONSHIP BETWEEN TOTAL NUMBER OF STRIKERS AND NUMBER OF STRIKERS PARTICIPATING IN THE FOOD STAMP PROGRAM. THIS MAY BE BECAUSE THE AMOUNT AND IMMEDIACY OF STRIKE BENEFITS VARIES GREATLY AMONG UNIONS AND BECAUSE MANY STRIKERS MAY BE DISQUALIFIED BECAUSE OF THE PROGRAM'S RESOURCE (ASSETS) ELIGIBILITY CRITERIA.

A RECENT LEGISLATIVE PROPOSAL BY THE ADMINISTRATION WOULD REQUIRE THAT FOOD STAMP BENEFITS BE BASED ON INCOME RECEIVED IN A PRIOR PERIOD (RETROSPECTIVE ACCOUNTING). SINCE MOST STRIKES LAST LESS THAN A MONTH, AGRICULTURE OFFICIALS TOLD US THAT THE EFFECT OF SUCH A CHANGE WOULD BE THAT IN MANY CASES, STRIKERS WOULD NOT BE ELIGIBLE FOR FOOD STAMPS.

REPORT BY SENATE APPROPRIATIONS COMMITTEE
INVESTIGATIONS STAFF

A REPORT BY THE INVESTIGATIONS STAFF OF THE SENATE APPROPRIATIONS COMMITTEE, RELEASED EARLIER THIS YEAR, RECOMMENDED CLOSING SEVERAL LOOPHOLES IN FOOD STAMP REGULATIONS AND IMPROVING THE VERIFICATION OF ELIGIBILITY INFORMATION. MORE SPECIFIC DETAILS OF THE REPORT WILL BE PRESENTED TO YOU TODAY IN SEPARATE TESTIMONY. WE WILL BE CONSIDERING THE ISSUES RAISED IN THE REPORT IN AN ONGOING REVIEW IN WHICH WE ARE SEEKING WAYS TO BRING ABOUT IMPROVEMENTS IN PROGRAM ELIGIBILITY AND BENEFIT DETERMINATION PROCEDURES.

OTHER PROPOSALS AFFECTING
THE FOOD STAMP PROGRAM

THE PRESIDENT'S BUDGET PROPOSALS ADVANCED A NUMBER OF MEASURES AFFECTING THE FOOD STAMP PROGRAM. IN ADDITION TO

ELIMINATING OVERLAPPING FOOD STAMP AND SCHOOL LUNCH PROGRAM BENEFITS--DISCUSSED EARLIER IN THIS STATEMENT--THE PROPOSALS INCLUDED SUCH CHANGES AS RETROSPECTIVE ACCOUNTING FOR INCOME, PRORATION OF FIRST MONTH'S BENEFITS, ESTABLISHMENT OF GROSS INCOME LIMITS, AND IMPROVING OVERALL PROGRAM MANAGEMENT.

IN OCTOBER 1979, WE TESTIFIED THAT RETROSPECTIVE ACCOUNTING (CALCULATING ELIGIBILITY ON THE BASIS OF INCOME IN A PRIOR PERIOD) WAS PREFERABLE BECAUSE IT USES ACTUAL RATHER THAN ESTIMATED INCOME FOR MAKING BENEFIT DETERMINATIONS. SUCH A CHANGE SHOULD MAKE INCOME EASIER TO VERIFY. ALSO, IN SEPARATE TESTIMONY THAT SAME MONTH, WE SUPPORTED USE OF PHOTO IDENTIFICATION CARDS TO IMPROVE PROGRAM INTEGRITY. WITH SOME EXCEPTIONS, AGRICULTURE HAS PROPOSED IMPLEMENTING PHOTO IDENTIFICATION IN AREAS WITH 50,000 OR MORE FOOD STAMP RECIPIENTS. THIS MEASURE SHOULD BE EFFECTIVE IN REDUCING OVERISSUANCES, BUT IMPLEMENTATION OF THE FINAL RULE SHOULD BE STUDIED TO SEE IF FURTHER CHANGES MAY BE NECESSARY.

WE HAVE ALSO ISSUED A REPORT ON THE FOOD STAMP PROGRAM'S WORK REQUIREMENT FEATURE WHICH IS INTENDED TO AFFECT THE PROGRAM IN TWO WAYS--BY HELPING RECIPIENTS FIND JOBS SO THEY WILL NO LONGER NEED ASSISTANCE AND BY TERMINATING BENEFITS TO THOSE WHO ARE ABLE BUT NOT WILLING TO WORK. WE FOUND THAT THOSE RESPONSIBLE FOR ADMINISTERING THE REQUIREMENT SEEMED TO REGARD IT AS ADMINISTRATIVE PAPERWORK RATHER THAN AS AN EFFECTIVE TOOL FOR REDUCING PROGRAM SIZE. THERE HAVE BEEN RECENT EFFORTS TO IMPROVE THE MANAGEMENT OF THE REQUIREMENT. IT MAY BE TOO EARLY TO KNOW WHETHER FURTHER MANAGEMENT IMPROVEMENTS ARE NECESSARY.

WE HAVE CONSISTENTLY AND STRONGLY ADVOCATED IMPROVED PROGRAM MANAGEMENT AND SIMPLIFIED ELIGIBILITY PROCEDURES. ALTHOUGH WE

HAVE NOT PREVIOUSLY ADDRESSED THE USE OF GROSS INCOME LIMITS AND BENEFIT PRORATION IN OUR WORK, THEIR LOGICAL EFFECT WOULD BE TO REDUCE PROGRAM COSTS.

WORKFARE

THE FOOD STAMP ACT OF 1977 REQUIRES THAT THE WORKFARE CONCEPT, IN WHICH FOOD STAMP RECIPIENTS WILL BE REQUIRED TO WORK ON PUBLIC SERVICE JOBS FOR THE VALUE OF THEIR FOOD STAMP BENEFITS, BE TESTED IN 14 PILOT PROJECTS--7 URBAN AND 7 RURAL. BUT ONLY 7 PROJECTS--6 RURAL AND 1 URBAN--OPERATED DURING THE FIRST YEAR. WE ISSUED A REPORT IN SEPTEMBER 1980 COMMENTING ON AGRICULTURE'S PROBLEMS IN RECRUITING DEMONSTRATION SITES FOR BOTH THE INITIAL AND EXTENDED PHASES OF WORKFARE. WE ARE CURRENTLY COMPLETING OUR ASSESSMENT OF THE FIRST YEAR'S OPERATION OF THE DEMONSTRATION. ALTHOUGH THE NUMBER OF WORKFARE DEMONSTRATION SITES AND THEIR RURAL/URBAN MIX FELL CONSIDERABLY SHORT OF LEGISLATIVE PROVISIONS AND CONGRESSIONAL EXPECTATIONS, THE OPERATION OF THE SEVEN DEMONSTRATION PROJECTS (SEE APPENDIX) DURING THE FIRST YEAR PROVIDED VALUABLE INSIGHT INTO THE PROBLEMS AND POTENTIAL OF THE WORKFARE CONCEPT.

WE REVIEWED THE OPERATING RESULTS OF THE SEVEN DEMONSTRATION SITES, PROBLEMS IN MEASURING WORKFARE BENEFITS AND COSTS, AND THE NEED FOR LEGISLATIVE AND ADMINISTRATIVE CHANGES THAT WILL HELP PROVIDE A MORE EFFECTIVE AND EFFICIENT WORKFARE OPERATION. WE HAVE IN MIND SUCH CHANGES AS

- ELIMINATING SOME OF THE CURRENTLY ALLOWED EXEMPTIONS,
- ELIMINATING UNNECESSARY WAITING PERIODS,
- STRENGTHENING PROGRAM SANCTIONS, AND

--IMPROVING ADMINISTRATION AT THE FEDERAL AND LOCAL LEVELS.
AN EXTENDED PHASE OF THE WORKFARE DEMONSTRATION, INVOLVING 14
PROJECT SITES, IS NOW ONGOING AND IS SCHEDULED TO END
SEPTEMBER 30, 1981.

EXEMPTIONS

OUR WORK AT THE SEVEN DEMONSTRATION PROJECTS SHOWED THAT
OUT OF A SAMPLE OF ABOUT 1,900 FOOD STAMP HOUSEHOLD CERTIFICA-
TIONS IN THE PROJECT AREAS, ABOUT 1,675 (88 PERCENT) WERE EXEMPT
FROM WORKFARE PARTICIPATION BECAUSE HOUSEHOLD MEMBERS FELL INTO
ONE OF 10 CATEGORIES OF EXEMPTION SPECIFIED BY LAW (SEE APPENDIX).
MANY OF THE EXEMPT PARTICIPANTS WERE UNABLE TO WORK BECAUSE OF
AGE, PHYSICAL DISABILITIES, OR THE NEED TO CARE FOR PERSONS
UNABLE TO CARE FOR THEMSELVES, BUT ABOUT 25 PERCENT WERE IN FOUR
CATEGORIES WHICH WE BELIEVE DO NOT MERIT AUTOMATIC EXEMPTION
FROM THE REQUIREMENT TO WORK FOR THEIR FOOD STAMP BENEFITS.
THESE FOUR CATEGORIES ARE (1) AFDC-WIN REGISTRANTS, (2) RECI-
PIENTS OF UNEMPLOYMENT INSURANCE BENEFITS, (3) STUDENTS, AND
(4) HOUSEHOLDS WHOSE EARNED INCOME IS LOW ENOUGH TO QUALIFY FOR
FOOD STAMPS BUT IS EQUAL TO OR GREATER THAN THE HOUSEHOLD'S
MONTHLY BENEFIT. THESE FOUR CATEGORIES REPRESENTED 470 OF THE
1,900 FOOD STAMP CERTIFICATIONS WE REVIEWED.

30-DAY JOB SEARCH

THE LAW GIVES NEW WORKFARE REFERRALS A 30-DAY SEARCH PERIOD
BEFORE THEY CAN BE ASSIGNED TO WORKFARE JOBS. AS A RESULT, NEW
REFERRALS AUTOMATICALLY AVOID WORKFARE PARTICIPATION FOR AT
LEAST 30 DAYS. IF THEY ARE CERTIFIED FOR FOOD STAMP BENEFITS
FOR ONLY 1 MONTH, THEY WILL NOT BE AFFECTED BY WORKFARE. EVEN

UNDER A 2-MONTH CERTIFICATION, FOOD STAMP BENEFITS FOR BOTH MONTHS WOULD PROBABLY HAVE BEEN RECEIVED BY SOME HOUSEHOLDS BEFORE THE WORKFARE INTERVIEW AND ASSIGNMENT PROCESS WOULD START AND BEFORE FAILURES TO COOPERATE COULD BE ANSWERED WITH CAUSE AND SANCTION DETERMINATIONS. OF A SAMPLE OF 805 WORKFARE REFERRALS, 130 DID NOT START A WORKFARE JOB BECAUSE THEIR FOOD STAMP CERTIFICATION PERIOD RAN OUT BEFORE THEY COULD BE ASSIGNED.

SANCTIONS

THE FOOD STAMP WORKFARE SANCTION IS NOT AN EFFECTIVE DETERRENT TO WORKFARE NONCOMPLIANCE AND NEEDS TO BE STRENGTHENED. POSSIBLE CHANGES INCLUDE DENYING FOOD STAMP BENEFITS FOR THE NONCOMPLYING INDIVIDUAL FOR A SPECIFIED NUMBER OF MONTHS OR UNTIL ALL PAST WORKFARE OBLIGATIONS ARE SATISFIED, OR GOING SO FAR AS TO DENY BENEFITS TO THE ENTIRE HOUSEHOLD FOR SIMILAR PERIODS OF TIME.

ADMINISTRATIVE POLICIES AND PRACTICES DID NOT PROMOTE MAXIMUM PROGRAM BENEFITS

AGRICULTURE PERMITTED PROJECT SITES EXTENSIVE LATITUDE IN DESIGNING AND IMPLEMENTING THE DEMONSTRATION WITH THE RESULT THAT PROGRAM BENEFITS WERE NOT AS GREAT AS THEY COULD HAVE BEEN.

(1) PHASE-IN APPROACH - FOOD STAMP OFFICES AT THREE OF THE SEVEN SITES DID NOT EXAMINE THEIR EXISTING FOOD STAMP ROLLS TO IDENTIFY AND REFER ALL ELIGIBLE WORKFARE PARTICIPANTS AS SOON AS THE DEMONSTRATION STARTED.

(2) DELAYS IN WORK ASSIGNMENTS - AGRICULTURE INSTRUCTED PROJECT SITES TO DELAY WORK ASSIGNMENTS TO THE BEGINNING OF THE

FOLLOWING MONTH IF THE 30-DAY JOB SEARCH PERIOD ENDED IN THE LAST HALF OF A MONTH.

(3) WORK STANDARDS NOT ESTABLISHED - AGRICULTURE DID NOT DEVELOP CRITERIA FOR DETERMINING WHETHER WORKFARE PARTICIPANTS PERFORMED SATISFACTORILY ON THEIR ASSIGNED JOBS.

BENEFITS ALSO HAVE BEEN LOST TO THE WORKFARE PROGRAM BECAUSE OF LOCAL ADMINISTRATION AND OPERATING DIFFICULTIES INVOLVING DELAYS IN INTERVIEWING PARTICIPANTS AND NOTIFYING FOOD STAMP OFFICES OF NEEDED SANCTIONS, AND OTHER MATTERS DISCUSSED IN THE APPENDIX TO THIS STATEMENT.

COST EFFECTIVENESS NOT DETERMINABLE

DATA ON OPERATING COSTS AND WORKFARE BENEFITS AT THE SEVEN DEMONSTRATION PROJECTS WAS VERY SKETCHY OR NOT AVAILABLE. THERE WAS NO FEDERAL COST-SHARING OF WORKFARE COSTS DURING THE FIRST YEAR AND UNIFORM ACCOUNTING GUIDANCE HAD NOT BEEN GIVEN THE PROJECTS. WE DEVELOPED A "BALL-PARK" COST AMOUNT OF \$360,000 FOR THE SEVEN PROJECTS BASED ON AVAILABLE DATA AND VARIOUS ESTIMATES PROVIDED BY PROJECT STAFFS. WE BELIEVE, HOWEVER, THAT IT WOULD BE INAPPROPRIATE AT THIS TIME TO DRAW ANY HARD CONCLUSIONS ABOUT THE COST EFFECTIVENESS OF THE FIRST YEAR'S WORKFARE DEMONSTRATION PROGRAM FROM THIS AMOUNT.

DATA ON WORKFARE BENEFITS HAS BEEN EVEN MORE SKETCHY THAN COST DATA. THE DOLLAR VALUE OF WORK PERFORMED AND SANCTIONS APPLIED THE FIRST YEAR IS ABOUT \$113,700 BUT THERE ARE ADDITIONAL REAL BENEFITS THAT HAVE NOT BEEN OR CANNOT BE MEASURED IN DOLLARS. GOOD INFORMATION IS NOT AVAILABLE ON

--THE SAVINGS IN FOOD STAMP BENEFITS RESULTING FROM INDIVIDUALS NOT APPLYING FOR FOOD STAMPS OR LEAVING THE PROGRAM BECAUSE OF THEIR DISINCLINATION TO PARTICIPATE IN WORKFARE.

--THE SAVINGS IN FOOD STAMP BENEFITS RESULTING FROM RECIPIENTS FINDING REGULAR JOBS AND EITHER LEAVING THE PROGRAM OR RECEIVING REDUCED BENEFITS.

--THE VALUE OF ANY WORK TRAINING OR WORK ETHIC THAT PARTICIPANTS MAY HAVE ACQUIRED.

THESE MATTERS SEEM VERY PERTINENT TO ANY ASSESSMENT OF PROGRAM BENEFITS BECAUSE WORKFARE PROGRAMS ARE GENERALLY DEVELOPED TO ACHIEVE ONE OR MORE OF THE FOLLOWING OBJECTIVES:

1. TO RETURN SOMETHING OF VALUE TO THE COMMUNITY FOR ITS SUPPORT OF THE RECIPIENTS.
2. TO INTRODUCE THE INDIVIDUAL TO THE WORK ENVIRONMENT.
3. TO ACT AS A DETERRENT TO PROGRAM PARTICIPATION FOR THOSE WHO COULD WORK, BUT CHOOSE NOT TO WORK.

CHANGES IN LAW, IN PROGRAM REGULATIONS, AND IN PROGRAM ADMINISTRATION TO ADDRESS THE PROBLEMS DISCUSSED EARLIER IN THIS STATEMENT ALSO WOULD HAVE SIGNIFICANT IMPACT ON WORKFARE EFFECTIVENESS AND BENEFITS.

INADEQUATE REPORTING TO THE CONGRESS

AGRICULTURE AND LABOR DID NOT INCLUDE IN THEIR OCTOBER 1980 INTERIM REPORT TO THE CONGRESS AVAILABLE INFORMATION SHOWING THAT SUBSTANTIAL IMPROVEMENTS WERE NEEDED BOTH IN WORKFARE PROGRAM DESIGN AND ADMINISTRATIVE PROCEDURES. THE EVALUATION CONTRACTOR AND ONE OF THE PROJECT SITES HAD IDENTIFIED IN SEPARATE REPORTS EARLIER IN 1980 ESSENTIALLY THE SAME PROBLEMS I HAVE DISCUSSED

TODAY IN MY TESTIMONY--LEGISLATIVE EXEMPTIONS ARE EXCESSIVE,
SANCTIONS ARE INEFFECTIVE, AND THE 30-DAY JOB SEARCH IS
UNNECESSARY.

BECAUSE THE WORKFARE CONCEPT CANNOT BE SAID TO HAVE BEEN
FAIRLY TESTED UNTIL A SOUND PROGRAM DESIGN IS ACHIEVED AND
TESTED, DELAYS IN MODIFYING OBVIOUS PROGRAM DEFECTS SHOULD NOT
BE ALLOWED TO CONTINUE.

THIS CONCLUDES MY STATEMENT, MR. CHAIRMAN. WE WILL BE GLAD
TO RESPOND TO ANY QUESTIONS YOU MAY HAVE.

INFORMATION ON THE FIRST YEAR'S OPERATION OF THE
FOOD STAMP WORKFARE DEMONSTRATION PROGRAM

(A Supplement to the General Accounting Office's
March 30, 1981, Statement Before the House
Subcommittee on Domestic Marketing, Consumer
Relations, and Nutrition)

FOOD STAMP WORKFARE

The Food Stamp Act of 1977 requires that the workfare concept, in which food stamp recipients will be required to work on public service jobs for the value of their food stamp benefits, be tested in 14 pilot projects--7 urban and 7 rural. But only 7 projects--6 rural and 1 urban--operated during the first year. We are currently completing our assessment of the first year's operation of the demonstration. Although the number of workfare demonstration sites and their rural/urban mix fell considerably short of legislative provisions and congressional expectations, the operation of the seven demonstration projects during the first year provided valuable insight into the problems and potential of the workfare concept.

We reviewed the operating results of the seven demonstration sites, problems in measuring workfare benefits and costs, and the need for legislative and administrative changes that will help provide a more effective and efficient workfare operation. We have in mind such changes as

- eliminating some of the currently allowed exemptions,
- eliminating unnecessary waiting periods,
- strengthening program sanctions, and
- improving administration at the federal and local levels.

An extended phase of the workfare demonstration, involving 14 project sites, is now ongoing and is scheduled to end September 30, 1981.

HOW IT WORKS

Food stamp recipients subject to workfare are identified by the food stamp office and referred to a workfare component which schedules them for an interview after a 30-day job search period. At the interview, the individuals' skills, abilities, interests, and work experiences are assessed and they are scheduled for work in a public service capacity with either State and local governmental agencies or with private nonprofit organizations. Workfare participants work at the minimum wage rate (\$3.35 per hour effective January 1, 1981) for enough hours each month to earn their household's food stamp benefits.

Referred individuals who fail to report for the interview or who fail to report for work are referred back to the food stamp office for a determination of cause and, where appropriate, imposition of sanction. If it is determined that good cause existed for the failure, such as lack of transportation, illness,

household emergency, or conflict with employment, training, or job search, the individual is either exempt from workfare or rescheduled for interview or work.

EXEMPTIONS

Our work at the seven demonstration projects showed that out of a sample of about 1,900 food stamp household certifications in the project areas, 1,675 (88 percent) were exempt from workfare participation because household members fell into one of 10 categories of exemption specified by law. Many of the exempt participants were unable to work because of age, physical disabilities, or the need to care for persons unable to care for themselves, but about 25 percent were in four categories which we believe do not merit automatic exemption from the requirement to work for their food stamp benefits. These four categories are (1) AFDC-WIN registrants, (2) recipients of unemployment insurance benefits, (3) students, and (4) households whose earned income is low enough to qualify for food stamps but is greater than the household's monthly benefit. These four categories represented 470 of the 1,900 food stamp certifications we reviewed.

- AFDC-WIN registrants are required to register for work training but are not always engaged in a full-time work training program. Unless they are so engaged, their automatic exemption seems inappropriate. (About 115 of our sample households were in this category.)
- Recipients of unemployment insurance benefits are required to search for work but they should be able to do so and still participate in the food stamp workfare program which, in most cases, requires less than 5 days of work a month. (About 100 of our sample households were in this category.)
- The 1980 food stamp amendments provide that students from other than low-income families will no longer be eligible for food stamp benefits and this will probably reduce the number of students in the program and thus the significance of this exemption. Nevertheless, some students will likely continue receiving food stamps. About 100 of our sample households were exempted because of student status. Working while going to college is not unusual and exemption from workfare seems inappropriate except in special circumstances where the student, in addition to attending classes, may be working or undergoing special training.
- The fourth exemption category included 155 sample households whose earned income was greater than their food

stamp benefits. Of the 155 exemptions, 85 appeared to represent full-time workers and 70 appeared to represent part-time workers. Full-time workers merit exemption because an inherent objective of the workfare program is to encourage individuals to find full-time employment. However, depending on their hours of work, part-time workers could have time available to participate in workfare.

Because most workfare obligations required less than 5 days of work a month, it seems unlikely that completing workfare obligations would create a real conflict with a participant's need to seek employment in the general work sector. If it did, the participant's workfare schedule could be adjusted to provide the specific time needed. If only 3/4 of the exemptions resulting from the four exemption categories had been made eligible for workfare instead of exempt, an additional 19 percent would have been added to the 12 percent of food stamp households referred to the workfare program during the first year of the demonstration.

Some localities, including two of the seven that operated a food stamp workfare project, operated a workfare-type feature under their general assistance program--a program of cash assistance for individuals who were ineligible for other categorical aid, unable to find work, or disabled with no means of support. In contrast to food stamp workfare, exemptions under general assistance workfare were more limited. At one location, only those persons 60 years or older or disabled (temporarily or permanently) or those under 18 were exempt from working. The other location had exemptions for disability and age (65 years or older), individuals under 18, and persons caring for those unable to care for themselves. At this location, college students could receive general assistance but were required to work.

We believe that automatic exemptions under the four categories discussed above should be eliminated.

30-DAY JOB SEARCH

The law gives new workfare referrals a 30-day job search period before they can be assigned to workfare jobs. As a result, new referrals automatically avoid workfare participation for at least 30 days. If they are certified for food stamp benefits for only 1 month, they will not be affected by workfare. Even under a 2-month certification, food stamp benefits for both months would probably have been received by some households before the workfare interview and assignment process would start and before failures to cooperate could be answered with cause and sanction determinations. Of a sample of 805 workfare referrals, 130 did not start a workfare job because

their food stamp certification period ran out before they could be assigned.

Because participation in the food stamp workfare program is not a full-time activity--taking less than 5 days a month in most cases--such participation should allow adequate time for a participant to look for full-time employment without a 30-day job search period as is now provided. Should a conflict arise, the workfare project could adjust the participant's work schedule to provide the specific time needed.

Our inquiries at the two general assistance workfare projects disclosed that participants generally were expected to look for full-time employment on their own time. At one of these projects, workfare participants were not required to work more than 3 days in any 1 week--the remaining 2 days were made available for job search. At the other project all general assistance workfare participants had the same work obligation; regardless of the amount of assistance received each month. Each participant was required to work or train for 7 days a month and provide verification of 20 employment contacts before the end of the month. The employment contacts were to be made on the participant's own time.

We believe that the effectiveness of the food stamp workfare program could be improved significantly by requiring those eligible for workfare to report to the workfare office for interview and work assignment as an integral part of the certification process for food stamp benefits. Under these circumstances, any failure to cooperate in workfare would immediately terminate the benefit certification process.

SANCTIONS

The law requires that workfare referrals who refuse to (1) be interviewed, (2) be assigned to a workfare job, or (3) carry out their work obligations in a public service job be sanctioned by being denied food stamp program benefits for 1 month. Other members of the household would continue to receive benefits. The sanctioned individual would be automatically reinstated in the program the following month. If the individual continues to ignore the workfare obligation, the maximum sanction now possible would be exclusion of the individual from the calculation of the household's food stamp benefits every other month. This is assuming that the workfare project and the food stamp office operate at peak administrative effectiveness.

The dollar value of the denied food stamp benefit to the sanctioned individual for the 1-month sanction period would average \$34. We question whether such a minimal sanction serves as an effective deterrent to disregarding workfare requirements.

Most of the 58 sanctioned individuals included in one of our sample groups were back in the food stamp program the month after the sanction. The elimination and subsequent reinstatement of sanctioned individuals in the food stamp program creates administrative burdens for both the workfare office and the food stamp office in keeping up to date on the individual's workfare status, in making frequent recalculations of household benefits, and in keeping track of when the individual is again eligible for food stamp benefits.

We note that program sanctions are more severe for food stamp recipients who do not comply with the program's work registration requirements (as distinguished from the workfare requirements). The 1977 Act requires that, when sanctions are appropriate for work registration noncompliance, the entire household be denied food stamp benefits for 2 months. Also, in the two general assistance workfare programs we checked on, work noncompliance would result in the household losing program benefits for one person for at least 3 months. In cases of repeated noncompliance, the sanction period in one of the programs is extended to 6 months and in the other the entire household loses its benefits until such time as the work obligation is satisfied.

We believe that the food stamp workfare sanction is not an effective deterrent to workfare noncompliance and needs to be strengthened. Possible changes include denying food stamp benefits for the noncomplying individual for a specified number of months or until all past workfare obligations are satisfied, or going so far as to deny benefits to the entire household for similar periods of time.

AGRICULTURE'S ADMINISTRATION DID NOT PROMOTE MAXIMUM PROGRAM BENEFITS

Agriculture permitted project sites extensive latitude in designing and implementing the demonstration with the result that program benefits were not as great as they could have been.

(1) Phase-in approach - Food stamp offices at three of the seven sites did not examine their existing food stamp rolls to identify and refer all eligible workfare participants as soon as the demonstration started. The other four sites referred all eligible participants the first month. Since Agriculture allowed the three sites to identify and refer food stamp recipients to workfare only as they either came into the program initially or applied for continuation of their benefits, otherwise eligible individuals avoided some of their work obligation at these locations.

(2) Delays in work assignments - Agriculture instructed project sites to delay work assignments to the beginning of the

following month if the 30-day job search period ended in the last half of a month. This policy caused delays in interviews and work assignments at two projects. Work benefits were lost because the affected participants could have completed some or all of their obligation in the previous month. Agriculture dropped this requirement after the first year's operation.

(3) Work standards not established - Agriculture did not develop criteria for determining whether workfare participants performed satisfactorily on their assigned jobs. As a result, merely showing up at the job site constituted compliance. Agriculture officials advised project personnel that sanctions could not be imposed for refusal to work. Our review was not directed toward measuring the volume or quality of participant's work; however, job supervisors told us that several workfare participants did not perform satisfactorily. We believe that certain productivity levels are reasonable for any employer-employee relationship. Failure to establish standards and impose sanctions as appropriate could lead to situations where recalcitrant participants could significantly reduce potential work benefits and undermine morale of those who are willing to work for their benefits.

Agriculture needs to

- (1) Include in any cost-benefit measurements it makes, the value of work lost because sites did not immediately identify and assign eligible able-bodied persons to work when the demonstration began,
- (2) Establish work standards for workfare assignments and impose sanctions for clearly substandard performance, and
- (3) Assure that project design does not restrict work benefits.

WEAKNESSES IN LOCAL ADMINISTRATION
REDUCED PROJECT BENEFITS

Benefits have been lost to the workfare program because of local administrative and operating difficulties. Workfare offices did not notify referred participants to report for interviews or advise the food stamp offices of the need for sanction action on a timely basis. Local food stamp offices did not sanction or sanctioned improperly. In addition, two rural sites were unable to maintain continuity of operations due to illness of key staff.

(1) Delays in interviewing participants - Workfare offices did not notify or schedule referred workfare participants for interviews on a timely basis. Consequently, 103 of the 805 participants in our statistical sample were interviewed some

time after they should have been. We found delays at all projects. As a result, some participants avoided their work obligation.

(2) Delays in notifying food stamp offices of needed sanctions - One location did not send recommendations for sanctions to the local food stamp office promptly. As a result, several participants who did not work could not be sanctioned because their eligibility period had already ended.

(3) Improper sanctions - Two locations were handling sanctioning requirements incorrectly. One was eliminating benefits for the entire household rather than solely for the individual who did not work. At the other the substitute director of the workfare office was not aware that sanction recommendations were to be sent to the food stamp office. Therefore, no one was sanctioned.

(4) Lack of continuity in workfare office - Workfare directors at two sites that were essentially one-person operations became ill during the demonstration. The result was that demonstration activities were severely hampered. Interviews, work assignments, and sanction recommendations were either suspended or curtailed.

(5) Lack of full local support hindered achievement of demonstration objectives - Local support of the workfare demonstration at one location seemed lukewarm and the project operated only marginally as a workfare demonstration site. The local food stamp office identified potential workfare participants but did not calculate their work obligation or keep the workfare office informed of changes in participants' work obligations. The primary function of the office administering workfare was not workfare; it was processing nonworkfare referrals for placement in private industry. The first workfare job site was not developed until 2 1/2 months after the demonstration began. Finally, only persons with work obligations exceeding 20 hours a month were referred for workfare. Of a statistically selected sample of 105 referrals at this location, only one participant had completed the work obligation the first month.

Agriculture needs to

- Assure that eligible participants are interviewed and assigned to public service jobs as soon as possible,
- Assure that participants not having a good reason for completing their workfare obligation are immediately sanctioned, and

--Assure continuity of projects' operations.

COST EFFECTIVENESS NOT DETERMINABLE

Data on operating costs and workfare benefits at the seven demonstration projects was very sketchy or not available. There was no Federal cost-sharing of workfare costs during the first year and uniform accounting guidance had not been given the projects. It is not clear whether the cost of workfare should be measured based on only incremental costs or whether all allocable costs should also be counted.

We developed "ball park" cost amounts from available data and various estimates provided by project staffs. We believe, however, that it would be inappropriate at this time to draw any hard conclusions about the cost effectiveness of the first year workfare demonstration program from these amounts.

<u>Project</u>	<u>Estimated annual project cost</u>
Berkeley	\$ 34,500 <u>1/</u>
Clay	7,000
Morristown	23,700 <u>1/</u>
Muskingum	29,400
Rusk	9,800
San Diego	237,700
Sussex	<u>17,900</u> <u>1/</u>
Total	<u>\$360,000</u>

1/Project operated less than a year. Amounts represent annualized estimates.

In addition to the matters discussed earlier, the following factors should be taken into account in considering the above costs.

--We were able to identify additional costs directly attributable to the workfare project at only four of the seven projects. These were the salaries of full-time staff in the workfare office. Other workfare costs and all food stamp office costs were based on allocations and estimates.

--About \$95,000 of the above costs represent special evaluation costs reimbursed by a private firm hired to evaluate the demonstration. Much of these costs would not be typical of a regular ongoing workfare operation.

--Project staffing and staffing costs vary tremendously and we cannot say what would be reasonable in this regard.

For the ongoing extended workfare demonstration, Agriculture has identified the types of costs that will be reimbursed. This should provide a better cost picture for the extended workfare phase. We note in this connection that Agriculture plans to reimburse 100 percent of project evaluation costs which will represent a significant portion (perhaps 30 percent) of total administrative costs for the extended phase.

Data on workfare benefits has been even more sketchy than cost data. The dollar value of work performed and sanctions applied is as follows.

<u>Project</u>	<u>Value of work performed and sanctions applied</u>
Berkeley	\$ 10,600 <u>1/</u>
Clay	100
Morristown	15,300 <u>1/</u>
Muskingum	44,400
Rusk	3,100
San Diego	37,600
Sussex	<u>2,600</u> <u>1/</u>
Total	<u>\$113,700</u>

1/Project operated less than a year. Amounts represent annualized estimates.

There are additional real benefits that have not been or cannot be measured in dollars. Good information is not available on

- The savings in food stamp benefits resulting from individuals not applying for food stamps or leaving the program because of their disinclination to participate in workfare. (Limited information at three projects identified at least 24 individuals who did not complete their food stamp application because of this reason.)
- The savings in food stamp benefits resulting from recipients finding regular jobs and either leaving the program or receiving reduced benefits.
- The value of any work training or work ethic that participants may have acquired.

Regarding the last point, in our discussions with individuals in workfare jobs, many of them said that they preferred to work for their food stamps rather than receiving them free.

The above matters seem very pertinent to any assessment of program benefits because workfare programs are generally developed to achieve one or more of the following objectives:

1. To return something of value to the community for its support of the recipients.
2. To introduce the individual to the work environment.
3. To act as a deterrent to program participation for those who could work, but choose not to work.

Changes in law, in program regulations, and in program administration to address the problems discussed earlier in this statement also would have significant impact on workfare effectiveness and benefits.

INADEQUATE REPORTING TO THE CONGRESS

Agriculture and Labor did not include in their October 1980 interim report to the Congress available information showing that substantial improvements were needed both in workfare program design and administrative procedures. The evaluation contractor and one of the project sites had identified in separate reports earlier in 1980 essentially the same problems I have discussed today in my testimony--legislative exemptions are excessive, sanctions are ineffective, and the 30-day job search is unnecessary.

Because the concept cannot be said to have been fairly tested until a sound program design is achieved and tested, delays in modifying obvious program defects should not be allowed to continue. Also the Secretaries of Agriculture and

Labor should provide the Congress more informative reporting on the workfare demonstration projects. Future progress and final reports should fully explain both well-defined and potential problems with workfare program design.

SCHEDULE OF INITIAL
WORKFARE DEMONSTRATION PROJECTS

	<u>Location</u>	<u>Type</u>	<u>Date started</u>	Food stamp households (note a)
1.	San Diego, CA	Urban	7/01/79	<u>b/</u> 46,084
2.	Muskingum Co., OH	Rural	7/01/79	3,151
3.	Rusk Co., WI	Rural	7/01/79	408
4.	Clay Co., SD	Rural	7/01/79	214
5.	Morristown, TN	Rural	8/01/79	<u>c/</u> 2,141
6.	Sussex Co., NJ	Rural	11/01/79	972
7.	Berkeley Co., SC	Rural	12/15/79	2,971

a/Households participating in food stamp program as of August 1980.

b/San Diego tested the concept in only 2 of its 9 districts.

c/This figure is for Hamblen County in which Morristown is located. No figure is available for the city of Morristown.

CATEGORIES OF FOOD STAMPRECIPIENTS EXEMPT FROMWORKFARE PARTICIPATION

1. A person younger than 18 years of age or a person 60 years of age or older.
2. A person physically or mentally unfit for employment.
3. A household member subject to and participating in the Aid to Families with Dependent Children Work Incentive Program (AFDC-WIN).
4. A parent or other household member who is responsible for the care of a dependent child under 12 or an incapacitated person.
5. A parent or other caretaker of a child under 18 in a household where another able-bodied parent is registered for work, or is exempt as a result of employment.
6. A person receiving unemployment compensation.
7. A regular participant in a drug addiction or alcoholic treatment and rehabilitation program.
8. A person employed or self employed and working a minimum of 30 hours weekly or receiving weekly earnings at least equal to the Federal minimum wage multiplied by 30 hours.
9. A student enrolled at least half time in any recognized school, training program, or institution of higher education.
10. Total household monthly earned income is greater than the household monthly food stamp allotment.