

1 ~~TTT~~ 114650

United States General Accounting Office
Washington, D.C. 20548

FOR RELEASE ON DELIVERY
Expected at 2 P.M., EST
Thursday, March 19, 1981

Statement of

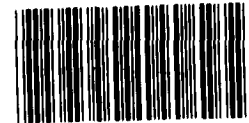
Brian P. Crowley, Associate Director, Senior Level
Community and Economic Development Division

before the

Subcommittee on Domestic Marketing,
Consumer Relations, and Nutrition
of the

Committee on Agriculture

House of Representatives



114650

on

The General Accounting Office ^{GAO} Reviews of
The Food Stamp Program]

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 Department of Agriculture's Food Stamp Program and to offer our views on the President's proposed budget reductions affecting that Program. I will highlight the major issues involved..

[The President has proposed eliminating the duplication between food stamp and school lunch subsidies. We agree that substantial savings might be possible by eliminating this duplication. Based primarily on fiscal year 1976 information, we estimated in a June 13, 1978, report that the duplication would be at least \$112 million, but this estimate was intentionally conservative. All the assumptions on which our calculation was based were made so

016042

as to avoid overstating potential savings; different assumptions would significantly increase the savings estimate. Other factors such as growth in program participation and increased food costs and benefits (which have occurred since 1976) would also increase the estimated savings. We have not evaluated the details behind the President's estimated savings but believe that the general principle on which it is based--overlap between food stamp and school lunch benefits--is valid. Further overlaps--and potential savings--are available regarding the summer food service, child care feeding, free special milk, and breakfast programs. We have no estimates of what such potential savings might currently amount to. Our 1978 report recommended, among other things, that USDA study the administrative feasibility of considering child-feeding benefits when determining food stamp eligibility and benefits.

Another area of potential savings discussed in that report 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 four-person household consisting of two adults (a man and woman), aged 20 to 54, and two children, one in the 6- to 8-age group and the other aged 9 to 11. The uniform allotments for other household sizes are extrapolated from the four-person household allotment level.

Because the uniform allotment amounts are based on the needs of an average family, the combination of free food stamps and a reasonable investment of household funds (equal to what used to be the purchase requirement) could enable some recipients, such

a household consisting of a mother and three young children, to receive benefits above their thrifty food plan costs whereas the benefits would probably not be enough to provide a nutritionally adequate diet for a four-person household in which the children are all teenage boys.

We estimated that, if households whose uniform food stamp allotments were less than 100 percent of their thrifty food plan costs were given enough extra food stamps to bring their basic allotment levels up to exactly 100 percent of thrifty food plan costs, the increased monthly cost to the Federal Government in free food stamps would be about \$12.7 million. Correspondingly, if households whose uniform allotments were more than 100 percent of their thrifty food plan costs had their basic allotment levels reduced to exactly 100 percent, the monthly savings to the Federal Government in free food stamps would be about \$60.1 million, or a net monthly savings of \$47.4 million (\$568.8 million annually) in free food stamps. These amounts would, of course, be much greater today.

A 1977 report by the Congressional Budget Office concluded 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."

We recognized that higher administrative costs might be involved and we recommended that demonstration projects be established to evaluate the increased administrative cost and error, if any,

that would result from an individualized system of food stamp allotments. If such demonstration projects show the administrative feasibility of individualized allotments, the Congress could authorize the Secretary of Agriculture to implement such allotments nationwide.

Regarding the President's proposal to calculate eligibility on the basis of household income in the prior period, we testified in October 1979 in connection with the proposed 1980 food stamp amendments that retrospective accounting is generally advantageous because it uses actual, rather than estimated, income information for making benefit determinations. We also commented, however, that retrospective accounting could result in a household receiving benefits after it no longer needs them. This could happen, for example, when household income increases after a previously unemployed worker returns to work.

In a review completed in 1977, we assessed the efforts being made to identify and recover overissuances of food stamp benefits and estimated that the Government was losing over 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 annual benefits being issued nationally at the time, overissuances accounted for about \$12; only about 12 cents of that \$12 had been recovered. The eight local projects we reviewed were doing little to identify and recover the value of overissuances.

We reported that, if some semblance of integrity is to be maintained in this Program, food stamp fraud, waste, and mismanagement cannot be allowed to continue unchecked. Administrative adjudication and penalty assessment were proposed as effective deterrents. We said that better financial incentives were needed for States and local projects to devote more effort to identifying and recovering overissuances and punishing recipient fraud. The subsequently enacted Food Stamp Act of 1977 and the August 1979 amendments to the act provided additional tools for dealing with fraud and other overissuances. However, we believe that further steps are needed as discussed in a subsequent report issued in 1980 on the progress being made in improving controls over domestic food assistance programs.

A 1980 report dealt with the actions taken or not taken on the numerous recommendations we had made for dealing with fraud, abuse, and mismanagement in domestic food assistance programs. Some significant improvements were apparent in the regulation of retailers accepting food stamps, and in the handling and controls over food stamps, but more were needed in other areas where little had been accomplished.

The work requirements of the Food Stamp Program are intended to affect the Program in two ways--by helping recipients find jobs so that they will no longer need assistance and by terminating benefits to those recipients who are able but not willing to work. We found, unfortunately, that those responsible for administering the requirements seemed to regard them as administrative paperwork rather than as a tool for reducing the Program's size.

The Food Stamp Act of 1977 also requires that the workfare concept, in which food stamp recipients will be required to work on public service jobs for the value of their benefits, be tested in pilot projects. We are currently completing our assessment of the first year's operation of the demonstration and will recommend changes to make operation of the concept more effective.

That concludes my statement, Mr. Chairman. We will try to respond to any questions you may have.