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before the  
Subcommittee on Domestic Marketing  
Consumer Relations, and Nutrition  
of the  
House Committee on Agriculture

on the  
General Accounting Office's Overview of  
the Food Stamp Program

Mr. Chairman and Members of the Subcommittee:

We are here today at your invitation to discuss our work on the Department of Agriculture's Food Stamp Program. The program served about 21 million persons in fiscal year 1984 at a federal cost of almost \$12 billion. Because of concerns with the federal budget and the climbing federal debt, the Congress and Agriculture have been searching for ways to improve the program's integrity and administration, curb program spending, and enhance efficiency. However, the increased number of persons that Bureau of Census data show to be falling into the poverty category has created added pressure to devise strategies for maintaining and improving food assistance benefits for the needy.

My presentation will deal with some of the matters discussed in our report entitled Overview and Perspectives on the Food Stamp Program. The purpose of the report is to assist congressional deliberations on the food stamp section of the 1985 farm bill. Based on our past and ongoing work, interviews with various individuals and organizations, and a review of reports and papers from various sources, the report highlights five major Food Stamp Program issues; namely, program accountability and integrity, program simplification, nutritional adequacy of the program, interrelationship of the program with other food assistance programs, and program coverage and eligibility requirements. The report discusses the implications of each issue and its related concerns, past efforts to address them, actions that remain to be

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taken on our prior recommendations, and what else needs to be considered. I will not cover all of these matters today but would ask that a copy of our report be made a part of the hearing's record. I will summarize the five major issues and related concerns in this statement, and will be glad to answer any questions you may have on our work in this important area.

#### ACCOUNTABILITY AND INTEGRITY

The first issue I will discuss involves program accountability and integrity. Program errors, although showing signs of decreasing, continue to sap program resources, and each year cause about \$1 billion in overissued benefits to households that were ineligible or that received more than they were entitled to, and \$250 million in underissued benefits to households that received less than they were entitled to. The Congress has, on several occasions, legislated changes in the program that provide additional incentives and operating tools to encourage and facilitate program improvement, and Agriculture has established implementing regulations and taken other steps that have enhanced program efficiency and effectiveness. However, some concerns remain.

1. The program has a system for sanctioning states for excessive overissuances of food stamp benefits. However the system bases sanctions on the amount of a state's federally reimbursed program administrative costs, rather than on the amount by which its overissuances exceed the established error-rate target. Also, the target itself is higher than the target in the Aid to Families With Dependent Children (AFDC) Program--another major needs-based program. Legislative tightening of the food stamp sanction system by changing the way sanctions are computed and/or by lowering the error-rate target could give states a fuller measure of financial responsibility for excessive losses due to program errors.

2. To identify potential food stamp overissuances and correct improper issuances, states are required to use wage matching. This is a process in which food stamp participants' reported earnings are compared with earned-income information employers report to other agencies for various other purposes. The states and Agriculture need to place greater emphasis on automating wage matching and providing for better follow-up on potential error cases, while guarding against excessive intrusion into individuals' privacy.

3. It has historically been difficult to collect overissuances of food stamp benefits. To improve the recovery of overissuances, the Congress has authorized states to collect claims by recouping benefits from current participants for participant-caused overissuances. Also, the Congress recently authorized intercepting federal income tax refunds to collect debts owed the

federal government. Efforts to collect food stamp overissuances could be materially enhanced by an additional legislative change to expand the use of recoupment to all food stamp claims--agency caused as well as participant caused. Also, because Agriculture is not certain whether the provision to intercept tax refunds applies to food stamp overissuances, congressional clarification in this regard would be helpful.

4. States are required by law to use monthly reporting, a procedure in which certain categories of food stamp households are required to report each month information that affects their food stamp eligibility and benefit amounts. AFDC has a similar requirement. Questions have been raised whether this is an effective approach for reducing overissuances, and some have suggested that the requirement be eliminated. Past studies of this approach have not provided definitive information on the effectiveness of monthly reporting; however, the Deficit Reduction Act enacted in July 1984 limits application of AFDC's monthly reporting requirement to households with recent earned income or work history. Because food stamp legislation allows the program's monthly reporting requirements to be made compatible with AFDC's, the limitation in the Deficit Reduction Act will also serve to limit the use of monthly reporting in the Food Stamp Program. In view of this, it may be appropriate to retain the monthly reporting requirement to see how it works or does not work under the highly targeted approach now permitted.

5. Progress is being made in reducing losses in the physical delivery of program benefits (food coupons) to participants, but millions of dollars are still being lost each year. Most of these losses are incurred under delivery methods involving the mailing of benefit authorization cards or food coupons to participating households. Program legislation and regulations make states liable for only part of the losses under these methods. Other methods being used to a lesser extent are less vulnerable to losses but leave the states fully liable for all losses. Modifying legislative and regulatory provisions for states' financial liability for benefit delivery losses could provide incentives for states to use the most effective available delivery systems to further reduce issuance losses.

6. An optional program feature, called workfare, used in some locations requires certain unemployed or underemployed able-bodied food stamp recipients to work in public service jobs in exchange for their food stamp benefits. Workfare is administratively feasible but reported results vary. The Congress may have to deal with the question of whether this feature should be made mandatory or remain optional.

7. The extent of fraud in the program is not known but program officials agree that it is a serious and pervasive problem. Some progress has been made in addressing this problem. States are required to pursue suspected fraud, and such cases can be adjudicated through the courts or through administrative hearings. Both avenues have drawbacks. States are often disinclined to use the courts, and the administrative approach has problems because of its cost, the fact that virtually the same high level of evidence is required as in the courts, and the difficulty of enforcing judgments. Agriculture needs to work with the states to eliminate the main administrative hearings barriers and to continue to promote more effective pursuit and adjudication of suspected fraud to deter and prevent program losses.

#### PROGRAM SIMPLIFICATION

The second issue I will discuss relates to program simplification. The procedures for certifying households eligible for food stamp participation and for determining their benefits are complex. State and local foodstamp offices have expressed concerns about the need to provide more efficient, systematic, and simple procedures for the program. There are several possibilities for simplifying the process.

1. It is difficult to verify separate household status for persons living together and benefit overissuances are caused by inaccuracies in this regard. Currently, most family members living together must apply for program benefits as one household unit, but unrelated persons and elderly or disabled parents and siblings can apply as separate households. It is advantageous for persons living together to apply as separate households because the total benefits for several small households are greater than the benefits for one household with the same total number of members. A legislative changes to redefine a household so that persons living together would be treated as a single household would help reduce program abuse, free staff time for other purposes, and reduce benefit costs. Although such a definition may not precisely fit the circumstances of every program applicant, it would simplify the eligibility/benefit process.

2. Net monthly income, used to determine a household's program eligibility and benefits, is figured by subtracting from gross income certain deductions specified by law. These deductions include a complex computation of a combined deduction for actual dependent care costs and/or excess shelter costs. Calculating such deductions is time consuming and contributes to errors. Establishing one or more standard income deductions to replace the individualized income deductions currently used would simplify eligibility/benefit determinations and reduce errors. One of the consequences of standardization, however, would be that some households would get more benefits and others less.

3. Authorizing participants in certain other needs-based programs to automatically, or categorically, be eligible for food stamps benefits, as has sometimes been proposed, would save time and effort. However, because different needs-based programs have different eligibility standards, changing the law to authorize categorical eligibility for food stamp benefits could result in eligibility inequities that would need to be addressed and resolved.

4. Providing states specified amounts of money to use for food assistance but allowing them to establish and operate food assistance programs in their own way could enable states to redesign and simplify program procedures to suit their own particular situation and needs. Such a block-grant approach is being used in Puerto Rico. Appropriate congressional safeguards would be needed in any such legislation to ensure that the money provided would be used as intended.

5. Providing food stamp participants with government checks instead of food coupons, referred to as cashing out the program, would greatly simplify benefit delivery procedures but could diminish the program's nutritional orientation because the cash could be used for non-food purposes. What impact cashing-out would have on operating costs and program losses has not been specifically determined. The Puerto Rico experience may shed some light on the usefulness of this approach.

#### NUTRITIONAL ADEQUACY

The next issue relates to the nutritional adequacy of the Food Stamp Program. According to food stamp legislation, it is congressional policy to safeguard the health and well-being of the nation's population by raising nutrition levels among low-income households. Given past and present budget austerity initiatives, questions sometimes arise from congressional sources, program officials, and others as to whether the nutritional and health aspects of the Food Stamp Program are adequately helping to meet the needs of low-income households. Some believe they are; others believe they are not. Several key concerns persist.

1. There is some question as to what the nutritional impact of the Food Stamp Program has been. Are food stamp households obtaining a nutritionally adequate diet and, if not, why? Definitive information on the program's nutritional effectiveness is not available but may be needed to assess the program's impact.

2. Program regulations are intended to assure that participating households use their food coupons to buy the food needed for their diets through regular market outlets--primarily retail stores specially authorized for that purpose. Agriculture data

show that under existing criteria, almost a quarter million retailers had been authorized to accept food coupons as of July 1984. Almost half of them were categorized as convenience, specialty, and combination stores--including some whose primary business is the sale of items not eligible for purchase with food coupons. These types of retailers accounted for only about 15 percent of food coupon redemptions. Tightening retailer authorization criteria through legislation and regulations could help ease the program's retailer management and monitoring burden and better assure achievement of the program's nutritional objective.

3. Eliminating the Food Stamp Program's purchase requirement, under which a participating household paid 30 percent of its monthly income for a full month's allotment of food coupons, simplified administrative processes. However, it may also have adversely affected achievement of the Food Stamp Program's nutritional objective because assurances no longer exist that participating households are spending their own income for food.

In addition to the three foregoing concerns, several additional concerns involve aspects of Agriculture's Thrifty Food Plan--a low-cost diet plan that specifies the cost, quantities, and types of foods that can provide a nutritious diet for a model four-person household, and has built into it economies-of-scale factors for other size households. This plan is the basis for determining food stamp benefits.

4. Policy makers and others have raised questions as to whether the total benefits that could be received under Agriculture's Thrifty Food Plan are adequate to enable households to meet their nutritional needs. There has been recent congressional interest in having the plan reevaluated.

5. Under the Thrifty Food Plan, food stamp benefits are based on Agriculture's model four-person household consisting of a man and woman and two children. This model was developed in 1971. An updating of this household makeup may be in order because it may not be representative of the average food stamp household today.

6. The nutritional needs of persons of different sex and age vary. Consequently, the Food Stamp Program's standardized benefits equal the food costs in the Thrifty Food Plan only in cases where a household's composition happens to be identical to the model household. An individualized benefit system that would take into account the age and sex of household's members could better meet the nutritional needs of participating households, but its administrative feasibility would first need to be studied by Agriculture.

7. The Thrifty Food Plan has economies-of-scale adjustment factors to determine food stamp benefit levels for households that have more or less members than the four-person model household. Because these factors are based on 1965 data, they may no longer be appropriate and may require study by Agriculture.

INTERRELATIONSHIP OF THE FOOD  
STAMP PROGRAM WITH OTHER DOMESTIC  
FOOD ASSISTANCE PROGRAMS

The fourth issue concerns the interrelationship of the Food Stamp Program with Agriculture's 10 other domestic food assistance programs and with the Department of Health and Human Services' AFDC and Supplemental Security Income (SSI) cash assistance programs. The basic goals of these programs are similar and households can, and often do, receive benefits from more than one of these programs simultaneously. In fiscal year 1984, Agriculture's 11 domestic food assistance programs and the AFDC and SSI Programs cost the federal government over \$30 billion. (The 11 food assistance programs are listed in the attachment to this statement.)

Each of these programs is based on separate authorizing legislation and regulations, and the management roles of the federal, state, and local agencies that run the programs vary by program and state. The different rules, funding systems, and operating demands have added to the confusion of program administrators as well as program participants and those potentially eligible to participate. We believe that two aspects of the interrelationships among these assistance programs need to be addressed.

1. First, some food stamp households receive non-cash benefits, such as school meals and housing assistance, from other federal assistance programs. Such benefits are legislatively excluded from food stamp eligibility and benefit determinations. These exclusions should be re-examined.

2. Second, we reported in 1978 on the differences in eligibility and administrative requirements among the various food and income assistance programs. Such differences still exist and cause program errors. Agriculture and other involved agencies should propose consistent requirements, study the effects such requirements would have on the programs, and report the results to the Congress for action.

PROGRAM COVERAGE AND ELIGIBILITY REQUIREMENTS

Finally, I will address the issue of program coverage and eligibility requirements. Agriculture has estimated that about

two-thirds of all persons eligible for food stamp benefits participate in the program. It therefore follows that many low-income Americans are not participating--some may simply choose not to apply while others may be uninformed about eligibility for the program. Also, some have questioned whether program criteria excludes needy people from the program. Further, questions have been raised about whether state regulations restrict food stamp participation by the homeless and others.

1. The Congress may want to consider whether available estimates of program coverage accurately reflect the current situation, whether such coverage is viewed as a problem, and what degree of coverage would be reasonable. Based on this, decisions could be made as to whether any further actions, such as outreach, are needed.

2. Some view Food Stamp Program rules as excluding needy people from the program because of the gross income cap of 130 percent of the poverty level and because of liquid asset limitations. It is not clear to what extent households that cannot meet these criteria should be considered needy. We recommended in a 1978 report that the Congress adopt a uniform definition of the term "needy" for food assistance purposes. Such a definition could help settle concerns as to whether needy people are being inappropriately excluded from participation in the Food Stamp Program.

3. Homelessness has become a more visible problem in the United States, and concerns have been expressed as to whether the homeless are being inappropriately excluded from Food Stamp Program participation. Agriculture has directed that states make certain that eligible homeless persons not be denied program benefits because they do not have a fixed address. It is not clear, however, whether this program, with its emphasis on purchasing and preparing staple food for home consumption, is the best means of addressing the problem of feeding the homeless. Perhaps some kinds of communal or meals-on-wheels approaches would be better suited to the homeless situation.

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This concludes my statement. We will be glad to respond to your questions.



DEPARTMENT OF AGRICULTURE DOMESTIC FOOD ASSISTANCE PROGRAMS

1. Food Stamp Program
2. National School Lunch Program
3. Special Supplemental Food Program for Women, Infants, and Children
4. Nutritional Assistance Grant (Puerto Rico)
5. School Breakfast Program
6. Child Care Food Program
7. Food Donations Program
8. Summer Food Service Program
9. Commodity Supplemental Food Program
10. Special Milk Program
11. Temporary Emergency Food Assistance Program

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