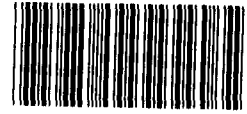


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GAO Audit of The Food Stamp Program

Statement of
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Food and Agriculture Issues
Resources, Community, and Economic
Development Division

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



Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss our ongoing and recently completed work on the Food Stamp Program, which is administered by the U.S. Department of Agriculture's Food and Nutrition Service. Specifically, we will summarize our past and current work on (1) food stamp automation, (2) alternatives to the current definition of a food stamp household, and (3) ways to improve the benefit opportunities for people eligible for the Food Stamp Program. I will begin by discussing state agencies' use of federal funding for automating their food stamp operations.

FOOD STAMP AUTOMATION

The Congress and administrators of federal, state, and local programs consider automation to be a major factor in helping state and local agencies reduce program errors, manage large caseloads, improve services to participants, and implement complex requirements. In addition to the normal rate of federal funding of 50 percent for developing and operating automated systems, the Food Stamp Act Amendments of 1980 increased the federal share of costs to 75 percent to encourage states not yet automating to begin automating their Food Stamp Programs. Since 1980, state agencies have spent about \$524 million in federal and state funds to automate their Food Stamp Programs.

In our current work on food stamp automation, being done at the request of Congressman Emerson of this Subcommittee and others, one objective was to determine whether automated programs were helping state and local agencies to reduce program errors and improve program administration. We reviewed four statewide automated Food Stamp Programs in Vermont, North Dakota, Kentucky, and Texas, and three automated local food stamp offices in Texas and California. These systems ranged from sophisticated on-line

systems in Vermont and North Dakota to less sophisticated batch-process systems at local offices in Texas and California.

Many of the expected benefits have been achieved by the seven automated systems we reviewed. The automated systems improved many aspects of processing food stamp cases, such as guiding the client interview and notifying applicants of case actions. The automated systems also enabled workers to (1) better identify certain program errors for correction, and (2) automatically avoid certain program errors. For example, the seven systems were designed to prevent an individual from participating in two households in the same state.

However, in the states with the information needed to perform our analyses, these improvements have not always reduced program error rates or improve program administration. One reason for this is the types of errors automated systems can and cannot prevent. For example, the automated systems readily ensure accurate arithmetic calculations--but these types of errors have never been a major problem, and their impact on error rates has been minimal. Other program errors, such as those pertaining to earned income, are often beyond the systems' capabilities so that eligibility workers still have to rely on applicants and participants to report this information. Thus, earned income errors continue to account for the largest part of the states' program error rates. Furthermore, our analysis suggests that automation has not always resulted in administrative improvements such as less time processing food stamp cases, fewer staff needed to administer the program, or more timely eligibility determinations.

Measures of program performances, such as error rates, may be affected by changes in any of a number of program related factors other than automation, such as staffing levels or caseloads. Kentucky experienced a decline in error rates following such changes but prior to automation of its program. By considering

these other changes along with the impact of the automated systems, our analysis suggested, for example, that North Dakota's automated system played a significant role in reducing its program error rate, whereas in Vermont, the system did not. Because in doing part of our analysis we could consider only a limited number of changes affecting program activity for a short period of time, additional time may be needed to determine whether automated systems will eventually cause more of the expected improvements in the results of program operations. To date--after 9 years of special emphasis on automation--we did not find that the expected results have been fully achieved.

Another objective of our automation work was to determine whether enhanced federal funding is still needed to encourage program automation. When the House Agriculture Committee drafted the funding provision in the 1980 amendments to the Food Stamp Act, the Committee intended the boost in federal cost-sharing from 50 percent to 75 percent to be a one-time incentive to encourage state agencies not in the process of computerizing their programs to automate. Specifically, section 129 of the Food Stamp Act Amendments of 1980 provides that certain state agencies can obtain 75-percent federal funding to plan, design, develop, or install ADP and information retrieval systems for administering the Food Stamp Program. The Food and Nutrition Service, however, approved 75-percent funding to some state agencies--sometimes more than once--to upgrade, modify, or replace existing automated systems.

In our April 1988 report (GAO/RCED-88-58) we concluded that these approvals represented a broader interpretation of the act than the drafters of the 75-percent provision expected, as set forth in the act's legislative history. The drafters expected that once the initial ADP development with the 75-percent funding had been achieved, all future ADP development would be funded at 50 percent.

The Service disagreed with our position. It stated that Service policy and approval of some requests are consistent with what the drafters expected. Given the difference in views, we brought this issue to the Congress' attention for its consideration and for any additional direction. The Congress has not yet given additional guidance, and the Service continues to state that it can approve 75-percent funding to upgrade and modify existing automated systems.

In our current work, on which we plan to issue a report before the end of the year, we are concluding that the 75-percent funding has served its purpose in encouraging Food Stamp Program automation, as intended by the House Agriculture Committee. Since fiscal year 1981, all 53 state agencies administering the Food Stamp Program have begun automating their programs. According to their responses to our questionnaire, the increased rate of federal funding to specifically encourage initial ADP development played a major role in Food Stamp Program automation. The majority of 37 state agencies receiving this funding reported that it was the most important incentive, not only to automate, but to develop systems capable of performing statewide as well as of serving AFDC Program participants. However, only 4 of the 37 state agencies received 75-percent funding to initiate first-time program automation efforts. The other 33 state agencies were approved for 75-percent funding to upgrade, modify, or replace automated capabilities that were similar to those the Service approved for other state agencies at the 50-percent rate.

Since all of the state agencies have automated to some extent, thereby accomplishing the objective set forth by the originating committee, we plan to recommend that the Congress amend the 1980 Amendments to the Food Stamp Act of 1977 to discontinue the 75-percent level of federal funding for automation.

ALTERNATIVES TO THE CURRENT
DEFINITION OF A FOOD STAMP HOUSEHOLD

At the request of the Chairman of this Subcommittee and others, we have identified alternatives to the current definition of a Food Stamp household. Our objective is to analyze how these alternatives, in comparison with the current definition, would probably affect factors such as (1) participation, (2) direct benefit payments, (3) homelessness, and (4) program simplicity. We expect to report on these alternatives by early spring 1990.

Identifying the composition of a household is important because it establishes whose income and assets are considered when determining the household's eligibility and benefit levels. A household's food stamp benefit is based on household size, income, and nutritional needs, according to the Service's Thrifty Food Plan. It is usually advantageous for persons to apply separately for food stamps, because the household income tests and asset limitations favor single-person households over groups. The Thrifty Food Plan assumes that households with more than one member take advantage of economies of scale by purchasing food and preparing meals in larger quantities than an individual would. Thus, households consisting of a single individual receive larger per-person benefits than do group households.

Currently, a household is defined as an individual living alone, a group of individuals who customarily purchase food and prepare meals together, or an individual living with others who customarily purchases food and prepares meals alone. However, according to the Food Stamp Act, spouses, parents and their children, and siblings who live together are assumed to be purchasing and preparing their food together, whether or not they do, and so are considered to be a food stamp household.

Because two separate households are more likely to be eligible or to receive greater benefits than one single household, the food stamp household definition contains certain exceptions to target benefits to particular groups. For example, elderly persons and their spouses may be counted as separate households from their children if they purchase and prepare meals separately and their children are 18 or older. These exceptions complicate the household definition because of the need to determine household composition for the various exceptions.

Some of the alternatives we developed simplify the household definition, but complicate the process of determining eligibility because they add further requirements for documentation or more complicated calculations. Other alternatives are simpler and do not complicate program administration, but either expand eligibility and increase benefit payments or make some current recipients ineligible. Generally, the alternatives that group more people together in a single household restrict eligibility and reduce benefit payments, while those that allow more separate households expand eligibility and increase benefit payments.

To illustrate, I will briefly describe 2 of the 11 alternatives we developed. Both alternatives would be simpler to administer than the current definition because they would make household composition easier to determine. On the other hand, they would allow more applicants to establish separate households and qualify for food stamps, thereby increasing program costs.

One alternative would modify the 1977 Food Stamp Act household definition by defining a household as spouses living together, parents living with minor children, a group of individuals who live together and purchase food and prepare meals together, an individual living alone, or an individual living with others who purchases and prepares meals separately. This alternative is simpler than the current definition because it eliminates the need

for exceptions. Furthermore, because it allows adult children to form households separate from their parents and also allows siblings to apply separately, it would expand eligibility and increase benefit payments.

The other alternative would require spouses, parents and minor children, and adults living with minor children under their parental control to apply for food stamps together. Because this alternative does not use the purchase food and prepare meals criterion for forming food stamp households, it allows almost all other participants to establish separate households. It is also simpler than the current definition because it eliminates the need for most exceptions. Furthermore, this alternative would expand eligibility and increase benefit payments even more than the previous alternative, because it allows adult children to establish households separate from their parents as well as siblings to apply separately and does not require those who purchase food and prepare meals together to establish a household together.

The current definition of a food stamp household does not cause homelessness. Homelessness is caused by a variety of factors, the lack of adequate low income housing being a primary one. Food Stamp benefits are generally less than shelter costs and changes in food stamp benefits, in themselves, would not provide a great incentive to change one's living situation. However, the definition still contains provisions, introduced as cost-saving measures in the 1981 and 1982 Omnibus Budget Reconciliation Act, which could give (1) parents and adult children or (2) siblings a disincentive to live together. While experts on the Food Stamp Program and homelessness agree that these potential disincentives exist, they were not aware of any instance in which the definition of the food stamp household caused someone to become homeless. Nevertheless, they agreed that changing the household definition, to allow parents and adult children or siblings to form separate food stamp households, would remove these potential

disincentives to sharing housing. This change could be accomplished by adopting either of the alternatives mentioned or several others to be described in our forthcoming report.

IMPROVING BENEFIT OPPORTUNITIES

Finally, I will briefly discuss some of our recent reports that relate to improving the benefit opportunities for people eligible for the Food Stamp Program. This includes work we recently completed on (1) participants who were temporarily terminated from the Food Stamp Program for procedural noncompliance, and (2) hindrances to participation in the program.

Procedural Noncompliance

Members of the Congress expressed concern that eligible program participants were being temporarily terminated from the Food Stamp Program because they did not comply with procedural requirements--a situation that could contribute to people going hungry. In response to this concern we reviewed a statistically valid sample of households in Georgia and Wisconsin to determine the number of and reasons for households being temporarily terminated (from 1 day to 3 months) from the program for procedural noncompliance. In our June 1989 report (GAO/RCED-89-81) we estimated that 49 percent of the households in Georgia and 68 percent of the households in Wisconsin experienced breaks in benefits in fiscal year 1987. About 87 percent of the breaks were proper changes that the program is designed to adjust for--the result of reported changes in the households' eligibility status. The remaining 13 percent, however, were due to procedural noncompliance by either households or state agencies, resulting in otherwise eligible households' losing benefits of between \$800,000 and \$5.3 million in the two states. Other states

we contacted indicated that similar conditions may exist in their states.

To continue in the program, a participant must submit by specified dates complete monthly reports and/or new applications for recertification. For their part, state agencies must properly process the data submitted by participants in a timely manner. Participants in Georgia and Wisconsin, however, did not always complete and submit monthly reports or new applications on time or complete other requirements, causing an estimated 29,100 temporary terminations from the program and loss of benefits. In addition, other households lost benefits an estimated 10,700 times because Wisconsin adopted an incorrect procedure for processing monthly reports, had computer limitations, and made other procedural errors. Wisconsin has taken corrective actions.

Most (88 percent) participant-caused breaks occurred because participants did not file timely or complete applications for recertification. Other participant-caused breaks resulting in benefit losses were caused by such factors as participants not submitting timely monthly reports. Breaks caused by untimely submission of monthly reports should be reduced in the future because Georgia and Wisconsin, like 38 other states, now fully reinstate participants who file monthly reports after the due date. These participants receive their full month's allotment rather than a prorated portion based upon when they reapplied for benefits.

A similar provision is not currently available for participants who file late applications for recertification. When a new application is not received before the certification of eligibility expires, participants are terminated and, when reinstated receive a prorated benefit based on the date the new application is received. Changing this to allow participants an extra month to submit a new application would provide a full month's benefits to most participants who file late applications.

To ensure that these participants were eligible for a full month's benefits, however, actual benefit issuance would be delayed until participants submit a new application for recertification and meet all other program requirements.

This change could be made by amending the Food Stamp Act and would increase program costs. Although we did not determine the cost nationwide for such a change, we estimated that households in Wisconsin would have received between \$18,400 and \$158,000 more during fiscal year 1987 while households in Georgia would have received between \$50,000 and \$1.5 million more for the same period. As stated in our report if the Congress believes that the benefits to participants from such a change would outweigh the cost increases, it may want to consider excluding from the proration provisions of Section 8(c) of the Food Stamp Act, as amended, participants who file new applications for recertification within a month of the date their eligibility expires. Such an exclusion would be consistent with present provisions governing monthly reporting.

Hindrances to Participation

Our work on hindrances to participation focused on two areas-- those who do not apply for food stamps and those who do. In reports issued in July and December 1988 (GAO/PEMD-88-21 and GAO/PEMD-89-5BR) and a soon-to-be issued report requested by Congressman Emerson, we focused on nonparticipation in the Food Stamp Program and reasons why households judged to be eligible for the program did not receive food stamps. We found nine studies that estimated participation rates for varying geographic locations, age groups, and time periods. A participation rate is the percent of eligible individuals or households that actually receive benefits. The participation rates in the studies we reviewed cluster around 50 percent.

Some studies reported on surveys that asked eligible households not participating in the Food Stamp Program why they did not receive benefits. These studies showed that a lack of information about the program and difficulties with administrative practices were the most commonly cited reasons for nonparticipation. However, these studies--the only ones to address these issues--only approximate eligibility and are based on dated information collected during 1979 to 1981. We therefore contracted to collect more current information by including questions as part of the 1986 Panel Study of Income Dynamics (PSID), a nationally representative sample of households. Our questions focused on the reasons for nonparticipation from households that we determined to be eligible for the Food Stamp Program but that did not participate.

As set forth in our soon-to-be issued report, our findings show an estimated food stamp participation rate, based on annual data, of 44 percent, generally the same as rates indicated in the earlier literature. Rates differed within specific groups of the population. For example, those who participated in other welfare programs had high rates of participation in The Food Stamp Program (e.g., 87 percent of household receiving other benefits also received food stamps). On the other hand, households with low participation in food stamps included those headed by an elderly individual (34 percent participation), those receiving Social Security benefits (31 percent), and those headed by single males (30 percent of nonwhites and 17 percent of whites).

The most frequently cited reasons for the 56 percent nonparticipation rate in the Food Stamp Program were a lack of desire for benefits (38 percent of the eligible households) and a lack of information about the program (37 percent). In addition, having problems with the program or with gaining access to it was cited by 25 percent of the households as a reason for nonparticipation.

The reasons eligible households did not participate in the Food Stamp Program also varied depending on the characteristics of the household. Households reporting a lack of desire for benefits were those in which the head of the household was, for example, a white married individual or a Social Security recipient. Households that reported a lack of information about the program were those headed by white single males or single females. Households reporting problems with the program or with access to it were, for example, those receiving Supplemental Security Income or other welfare benefits, or those headed by a single male.

From a policy viewpoint, the desire not to participate by eligible households may not be a problem. On the other hand, difficulty with the program, access to it, and lack of information about it are matters that can be and should be remedied. Since more than three-fifths of the eligible households have given these reasons for nonparticipation, it is important to address these problems. The Hunger Prevention Act of 1988 provides a means for doing so. The act specifies many actions intended to reduce problems with the program or with access to it, including outreach focused on low-income households.

Our analysis shows that at a national level, different groups of the population are more likely to lack information about the program. Although the exact mix of nonparticipants and reasons for nonparticipation will vary from locale to locale, at a national level the households most likely to be influenced by effective outreach are those headed by single individuals.

We plan to recommend that the Food and Nutrition Service encourage states to target outreach to groups that would most benefit from it and tailor the type of outreach to the needs and characteristics of these specific groups. Such an effort should maximize the returns on investments in outreach at the state and

federal levels. The Service agrees with our proposed recommendation.

In our report issued in October 1988 (GAO/RCED-89-4), we assessed whether federal, state, or local procedures discouraged households from participating in the Food Stamp Program once they have contacted the local food stamp office for assistance. State agencies, through their local offices, (1) determine applicants' eligibility (2) authorize the appropriate amount of benefits, and (3) determine participants' continuing eligibility. To establish or maintain eligibility, applicants and participants must follow a set of administrative procedures that vary according to household circumstances, local practices, and program regulations.

To identify the types of administrative hindrances that may unduly restrict participation in the Food Stamp Program, we reviewed how food stamp offices process applications and changes in household circumstances at 33 local offices in California, Illinois, Maryland, Oklahoma, and Texas. We also reviewed case records from the five states to identify households that may have been discouraged or prevented from participating in the program.

The food stamp application process is complex for applicants and those involved in administering the program, in part, because of the need to ensure that only eligible persons participate. However, some procedures and practices identified in our review make the application process more complex than it needs to be. For example, among the local offices we visited we found the following:

- Two offices conducted normal business only 4 days each week, which limited access to food stamp services compared with access to other local offices. In contrast, to provide better service to the working poor, one state offered food stamp services late one night each week, with only a slight increase in operating costs.

-- All local offices in one state and one local office in each of two other states did not consider applicants for expedited benefits or provide expedited benefits on time. Expedited services, at the time of our review, were required to be provided to households with expected monthly income of less than \$150 and liquid assets of less than \$100. In response to its own concerns, the Service has required its regional offices and the states to focus their reviews on how well expedited benefits are being provided to eligible households.

-- Three local offices in one state did not always help applicants obtain the documents they needed to complete their applications. We found cases in which food stamp officials did not clearly identify the types of documents applicants are required to provide or help applicants document their applications to the extent permitted by regulations.

Some states' administrative practices can limit participation by households already receiving food stamp benefits. We found that in some instances, local offices in two states inappropriately terminated households' food stamp benefits when they terminated these households' public assistance benefits, such as Aid to Families with Dependent Children or General Assistance, without independently determining whether the households were still eligible for food stamps. The states involved have since taken corrective action to prevent these improper terminations.

In addition, we found that in some instances, local offices in two states terminated households' food stamp benefits before verifying allegations that changes in their circumstances made them ineligible. In each case, state policy required such verification.

We recommended that the Food and Nutrition Service identify administrative hindrances to food stamp participation in its annual operations reviews of each state, focusing on hindrances identified in our report, and assist states in overcoming hindrances by sharing this information with all states.

The Service told us that the quality of service to food stamp applicants and recipients has been, and continues to be, a priority and that these areas will continue to be targeted as priority review areas under the existing management evaluation review system. Recently we learned that the Service is developing information on strategies that states can use to address hindrances to participation in the Food Stamp Program.

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Mr. Chairman, this concludes my prepared statement. We will be glad to answer any questions.

ISSUES GAO REPORTS DISCUSSED IN TESTIMONY

Food Stamp Program: Progress and Problems in Using 75-Percent Funding for Automation (GAO/RCED-88-58, Apr. 28, 1988)

Food Stamp Program: Participants Temporarily Terminated for Procedural Noncompliance (GAO/RCED-89-81, June 22, 1989)

Food Stamps: Examination of Program Data and Analysis of Nonparticipation (GAO/PEMD-88-21, July 5, 1988)

Food Stamps: Reasons for Nonparticipation (GAO/PEMD-89-5BR, Dec. 8, 1988)

Food Stamp Program: Administrative Hindrances to Participation (GAO/RCED-89-4, Oct. 21, 1988)