Overview And Perspectives On The Food Stamp Program

The Department of Agriculture's Food Stamp Program cost the federal government almost $12 billion in fiscal year 1984 and served an average of about 21 million persons a month. In recent years the Congress and Agriculture have been searching for ways to improve the program's integrity, curb spending, and enhance efficiency. At the same time, the increased number of persons that Bureau of the Census data show to be falling into the poverty category has created additional pressure to maintain and improve food assistance benefits for the needy.

To assist in congressional deliberations on reauthorizing the Food Stamp Program as part of the 1985 farm bill, GAO has highlighted five major program issues: program accountability and integrity, program simplification, nutritional adequacy, interrelationship with other food assistance programs, and program coverage and eligibility. For each issue, GAO's report discusses the principal concerns it sees, what has been done regarding those concerns, and what more should be considered or done.
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To the President of the Senate and the Speaker of the House of Representatives

This report highlights 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 taken on prior General Accounting Office recommendations, and what else needs to be considered.

We are sending copies of this report to appropriate House and Senate committees; interested Members of Congress; the Secretary of Agriculture; the Director, Office of Management and Budget; and other interested parties.

J. Dexter Peach
Director
Overview and Perspectives on the Food Stamp Program

The Department of Agriculture administers 11 major domestic programs to provide food assistance to needy people. Of these, the Food Stamp Program, administered nationally by the Department's Food and Nutrition Service and locally by state or local welfare departments, is the largest and most complex and has experienced the greatest growth. States are responsible for certifying households as eligible to participate in the program, determining food stamp benefit levels, and issuing food coupons. Federal program outlays have grown from about $30 million in fiscal year 1964, serving about 370,000 persons a month, to almost $12 billion in fiscal year 1984, serving an average of about 21 million persons a month.

Concern over the federal budget deficit has led the Congress and Agriculture to search for ways to improve the program's integrity and administration, curb program spending, and enhance efficiency. At the same time, the increased number of persons that Bureau of the Census data show to be falling into the poverty category has created additional pressure to devise strategies for maintaining and improving food assistance benefits for the needy. Against this backdrop, the Congress will consider modifications to the Food Stamp Program as part of upcoming 1985 legislation reauthorizing the program.

This report provides an overview and perspectives on the Food Stamp Program and highlights five major program issues: accountability and integrity, program simplification, nutritional adequacy, interrelationship with other food assistance programs, and program coverage and eligibility requirements. The report discusses implications of each issue and its related concerns, past efforts to address them, actions that remain to be taken on prior GAO recommendations, and what else needs to be considered. Each issue and area of concern is discussed separately. However, actions taken in one area may affect or
involve trade-offs with other areas and such impacts and trade-offs should be taken into account in formulating Food Stamp Program changes.

In identifying food stamp issues and related concerns, GAO relied not only on its own reports and ongoing efforts but also on products of, and/or discussions with, other federal departments and agencies, congressional committee staff, economists and nutritionists, and private research and food advocacy groups. GAO also reviewed an April 1983 report by the President's Private Sector Survey on Cost Control (Grace Commission) and a January 1984 report by the President's Task Force on Food Assistance. The concerns related to each of the five major issues are listed in the following sections in the form of questions. GAO's report presents its views on some of these questions; others are left open because they involve congressional policy or would benefit from an expression of congressional views.

ACCOUNTABILITY AND INTEGRITY

Program errors, although showing signs of decreasing, continue to sap program resources. Each year such errors cause about $1 billion in overissued benefits to ineligible households or to eligible households that received more than they were entitled to and $250 million in underissued benefits to households that received less than they were entitled to. According to states' quality control reviews, which are used to identify program errors and to calculate an error rate that measures over- and underissued benefits, these erroneous issuances are caused by participant errors and fraud or by agency errors.

The Congress has legislated changes in the program to provide additional incentives and operating tools to encourage and facilitate program improvement, and Agriculture has established implementing regulations and taken other steps to enhance program efficiency and effectiveness. Notwithstanding these initiatives, the following concerns about the Food Stamp Program's integrity and accountability remain. (See p. 5.)

--Should the error-rate sanction system, used by Agriculture to hold states liable for
excessive food stamp overissuances to eligible participating households, be tightened to increase states' financial responsibility, and do states' error rates accurately measure the types and extent of food stamp issuance errors? (See p. 7.)

--Are states making the most efficient use of required wage matching, a process in which food stamp participants' reported earnings are compared with earned income information reported elsewhere by employers for various other purposes, to identify potential overissuances and correct improper food stamp payments while guarding against excessive intrusions into individuals' privacy? (See p. 10.)

--How effectively are states collecting overissuances, and should additional measures be taken to improve states' collection results? (See p. 14.)

--Is monthly reporting, a procedure that requires certain categories of households to report each month information that affects their food stamp eligibility and benefit amounts, an appropriate approach for reducing overissuances? (See p. 16.)

--Do states have sufficient program information and incentives to use the most effective food stamp issuance (delivery) systems to reduce issuance losses? (See p. 18.)

--Should workfare, a program feature that requires certain unemployed or underemployed able-bodied food stamp recipients to work public service jobs in exchange for their food stamp benefits, be made mandatory or remain optional? (See p. 19.)

--Can states' fraud pursuit activities be made more effective to deter and prevent program losses? (See p. 22.)

PROGRAM SIMPLIFICATION

Concerns have been expressed by state and local food stamp offices about the need to provide more efficient, systematic, and simple procedures in administering the Food Stamp Program. These concerns deal with the complex procedures for certifying households eligible
for participation and for determining their benefits. (See p. 25.)

Both the Congress and Agriculture have been sensitive to the potential administrative burden legislative and regulatory program changes have on state and local offices. The following are major concerns regarding simplifying the Food Stamp Program's administration:

--Can the criteria for determining Food Stamp Program eligibility and benefits be simplified through use of standard income deductions (instead of individualized income deductions) and other means? (See p. 25.)

--Could states' administration of the Food Stamp Program be simplified by making participants in certain other needs-based programs automatically (categorically) eligible for food stamps? (See p. 28.)

--Would food assistance block grants, an approach in which the federal government provides states specified amounts of money to use for food assistance but leaves the states free to establish and operate food assistance programs in their own way, simplify states' administrative practices without being disadvantageous to the needy? (See p. 30.)

--Should the Food Stamp Program use cash instead of food coupons? (See p. 31.)

NUTRITIONAL ADEQUACY

According to the Food Stamp Act of 1977, as amended, it is congressional policy to safeguard the health and well-being of the nation's population by raising the nutrition levels among low-income households. The Food Stamp Program is the federal government's largest domestic effort to help low-income households obtain a more nutritious diet.

Food stamp benefits are based on the cost of meals under Agriculture's Thrifty Food Plan—a low-cost diet plan that specifies the quantities and types of foods that can provide a nutritious diet for a model four-person household.

Given past and present budget austerity initiatives, questions sometimes arise as to
whether the nutritional and health aspects of the Food Stamp Program are adequately helping to meet the needs of low-income households. (See p. 33.)

Some key concerns that are pertinent to this issue include the following:

--What is the Food Stamp Program's nutritional impact on participating households? (See p. 34.)

--Can Agriculture reasonably ensure that authorized food retailers accept food coupons only for food items? (See p. 35.)

--How has elimination of the purchase requirement, under which participants paid part (30 percent) of their monthly income for a full month's allotment of food stamps, affected the Food Stamp Program's nutritional objective? (See p. 37.)

--Does Agriculture's Thrifty Food Plan provide an adequate basis for determining the amount of food coupons that households should receive to help meet their nutritional needs? (See p. 39.)

--Should the Thrifty Food Plan continue to base food stamp benefits on Agriculture's 1971 model four-person household consisting of a man and woman and two children? (See p. 40.)

--Should Agriculture revise the Thrifty Food Plan's 1965 economies-of-scale adjustment factors that are used to determine food stamp benefit levels for households that have more or fewer members than the four-person model household? (See p. 42.)

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

An interrelationship exists among Agriculture's 11 domestic food assistance programs and the Department of Health and Human Services' Aid to Families With Dependent Children and Supplemental Security Income Programs. Their basic goals are similar, and households can, and often do, receive benefits from more than one of these programs simultaneously--
benefits that in some cases can exceed the average amounts American families of comparable size spend for food. The piecemeal authorization and rapid growth of food assistance programs have created a need and an opportunity to examine and consider the interrelationships and overall effectiveness of the 11 programs, listed below, in providing food assistance to participants. Descriptions of these programs are provided in appendixes II and III.

Food Stamp Program
National School Lunch Program
Special Supplemental Food Program for Women, Infants, and Children
Nutritional Assistance Grant (Puerto Rico)
School Breakfast Program
Child Care Food Program
Food Donations Program
Summer Food Service Program
Commodity Supplemental Food Program
Special Milk Program
Temporary Emergency Food Assistance Program

In fiscal year 1984 these 11 programs and the Aid to Families With Dependent Children and Supplemental Security Income Programs cost the federal government over $30 billion.

Each of these programs is based on separate authorizing legislation and regulations. Also, the management roles of the federal, state, and local agencies that run the programs vary by program and state. GAO has previously reported that the different administrative rules, funding systems, and operating demands have resulted in program inefficiencies and losses, and have added to the confusion of program administrators, as well as program participants and those potentially eligible to participate. (See p. 44.) The following major concerns relate to the interrelationship among these assistance programs:

--Should non-cash benefits from other assistance programs be included in food stamp eligibility and benefit determinations? (See p. 45.)

--What can or should be done to eliminate the differences in eligibility and administrative requirements among the various food and income-assistance programs? (See p. 48.)
PROGRAM COVERAGE AND ELIGIBILITY REQUIREMENTS

Research by private organizations and Agriculture indicates that many low-income Americans are not participating in the Food Stamp Program: some may simply choose not to apply, some may be uninformed about eligibility for the program, and others may not qualify because of their assets. Questions also have been raised about whether state regulations restrict participation by the homeless and others. (See p. 52.) Concerns about program coverage and eligibility center on the following:

--Why are potentially eligible people not participating in the Food Stamp Program? (See p. 52.)

--Should the criteria for determining who is needy and eligible for food stamp benefits be changed? (See p. 55.)

--Can the food needs of homeless people be better addressed? (See p. 58.)

AGENCY COMMENTS AND GAO's EVALUATION

In commenting on a draft of GAO's report, the Food and Nutrition Service said that the report should assist congressional deliberations in reauthorizing the Food Stamp Program and that the five broad areas GAO identifies are a good starting point for a balanced consideration of issues affecting the program. The Service recognized that the report does not provide a full discussion of each issue and concern, that there is an interaction among the considerations presented which must be examined in any deliberations, and that it did not restate its position on GAO's recommendations from prior reports. (See app. I.)

GAO generally agrees that expanded discussions of the issues and concerns would be beneficial and that the interaction among the considerations presented should be fully examined in any congressional deliberations of the Food Stamp Program. GAO believes, however, that the way these matters are presented in the report should provide a sufficiently clear focus on the nature and implications of these issues, concerns, and considerations to
facilitate congressional deliberations on the program. GAO has tried to appropriately reflect throughout the report positions taken by the Service on recommendations made in prior reports. (See chapter 7.)
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## Abbreviations

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<th>Description</th>
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<tr>
<td>AFDC</td>
<td>Aid to Families With Dependent Children</td>
</tr>
<tr>
<td>ATP</td>
<td>Authorization-to-participate</td>
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<tr>
<td>CBO</td>
<td>Congressional Budget Office</td>
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<td>CRS</td>
<td>Congressional Research Service</td>
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<td>GAO</td>
<td>General Accounting Office</td>
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<td>HHS</td>
<td>Department of Health and Human Services</td>
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<tr>
<td>OIG</td>
<td>Office of Inspector General</td>
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<td>OMB</td>
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<td>USDA</td>
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CHAPTER 1

INTRODUCTION

The Department of Agriculture (USDA) administers 11 major domestic programs to provide food assistance to needy people. Among these food assistance programs, the Food Stamp Program, administered nationally by USDA's Food and Nutrition Service, is by far the largest and most complex. It also has experienced the most significant growth in terms of federal cost and program participation. Specifically, federal outlays in the program have grown from less than $30 million in fiscal year 1964, when about 370,000 persons participated a month in selected areas, to about $12 billion in fiscal year 1984, when a monthly average of about 21 million persons participated nationwide, including Guam and the Virgin Islands. A detailed discussion of the Food Stamp Program's authorization and administration is included in appendix II.

Because of its growth, size, and intended impact on the nutritional well-being of millions of eligible individuals, the Food Stamp Program has traditionally attracted a great deal of congressional and public attention. Recently, this attention has focused on two major areas. First, concern with the federal budget and the climbing federal debt has induced the Congress and USDA to search for ways to improve the integrity and administration of the program in order to curb program spending and enhance efficiency. At the same time, the increased number of persons that Bureau of the Census data show to be falling into the poverty category has created additional pressure to devise strategies for maintaining and improving the delivery of food assistance benefits to the needy.

It is in this environment that the Congress will likely consider reauthorizing the Food Stamp Program in 1985. Since 1973, a series of omnibus acts have been enacted every fourth year to authorize USDA programs including the Food Stamp Program. This report provides an overview of the domestic food assistance situation—with primary emphasis on the Food Stamp Program—and highlights what we believe to be the major Food Stamp Program issues and concerns. For each issue and concern, the report discusses its relevancy, congressional and executive agency efforts to address it, actions that remain to be taken on our recommendations made in prior reports, where appropriate, and additional questions that warrant congressional consideration.

Based on our broad institutional knowledge, research of the Food Stamp Program, and discussions with representatives of various agencies and groups mentioned in the following section of this report, we identified five broad Food Stamp Program issues and related areas of concern that the Congress is likely to discuss during 1985. These issues are: integrity and accountability, program simplification, nutritional adequacy, interrelationship with other assistance programs, and program coverage and eligibility requirements.
OBJECTIVES, SCOPE, AND METHODOLOGY

The overall objective of this review was to provide the Congress with an overview of, and perspectives on, major Food Stamp Program issues and related areas of concern that may be discussed during its 1985 deliberations on the program's reauthorization.

To accomplish this objective and gain further insights into specific Food Stamp Program issues and areas of concern, we interviewed staff members of congressional committees; USDA and other federal agency officials; and representatives of research, special interests, and food advocacy groups to learn what Food Stamp Program issues they regard as most important. Specifically, we spoke with representatives of the following organizations:

Congressional Committees
--Senate Committee on Agriculture, Nutrition, and Forestry
--House Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition, Committee on Agriculture
--House Select Committee on Hunger

Federal Agencies
--Congressional Budget Office (CBO)
--Congressional Research Service (CRS)
--Food and Nutrition Service, USDA
--Human Nutrition Information Service, USDA
--Office of Family Assistance, Department of Health and Human Services
--Office of the Inspector General (OIG), USDA
--Office of Technology Assessment

Special Interest Groups
--National Governors' Association
--U.S. Conference of Mayors
--National Council of State Public Welfare Associations

Food Assistance Advocacy Groups
--Food Research and Action Center
--Bread for the World
--Community Nutrition Institute

Research Organizations
--Heritage Foundation
--Center on Budget Policy and Priorities

Other
--President's Task Force on Food Assistance
We augmented these interviews by conducting literature searches to obtain and examine relevant reports published by congressional and executive departments, private research and food assistance advocacy organizations, and USDA. We also reviewed reports referred to us by representatives of the organizations we interviewed, and drew upon our past reviews and reports. Additionally, we took into account our ongoing work pertinent to the Food Stamp Program and obtained additional information to further identify and elaborate on program issues and related areas of concern. In all cases where ongoing work is involved, the matters presented in this report are based on the best data and information available at the time and are subject to change based on completion of the work.

We also took into account two recent reports that contained Food Stamp Program recommendations proposed by presidentially appointed groups. The first, an April 1983 report by the President's Private Sector Survey on Cost Control, also known as the Grace Commission, was the result of efforts to identify opportunities in all federal programs, including the Food Stamp Program, for increased efficiency and reduced cost achievable by executive or legislative action. The second, a January 1984 report by the President's Task Force on Food Assistance, resulted from efforts to analyze food assistance programs and to make recommendations to the President and the Secretary of Agriculture.

We reviewed federal legislation, congressional committee reports, and USDA's food stamp regulations to assess past congressional and/or USDA actions to address program issues and concerns. We also reviewed recently proposed, but not enacted, legislation, including H.R. 5151 (the proposed Hunger Relief Act of 1984 introduced March 15, 1984), S. 2607 (the proposed Anti-Hunger Act introduced April 30, 1984), and the administration's 1983 and 1984 budget proposals to identify the specific issues that were recently discussed and considered by the Congress. Except for some food stamp aspects of the Grace Commission's report and recommendations, on which we had previously commented, time constraints did not permit us to evaluate any of the methodologies or the resulting conclusions of the non-GAO reports we reviewed. Appendices IV and V contain a complete bibliography of the reports we used in identifying and discussing Food Stamp Program issues.

For each of the major Food Stamp Program issues discussed in this report, we identified related subissues or areas of concern, took into account what we, the Congress, USDA, and others have done in the past to address them, and outlined actions that still need to be done or raised questions on matters that need to be considered. Because representatives of the various groups we spoke with identified many different Food Stamp Program issues and areas of concern, we included in this report the issues or concerns that were frequently cited as being the most significant.
The concerns related to each of the five major issues are presented in the report in the form of questions. The report presents our views on some of these questions; others are left open because they involve congressional policy or would benefit from an expression of congressional views.

In discussing these matters, the report addresses each issue and area of concern separately. However, some of these issues and concerns interrelate. Consequently, any action taken in one area may affect or involve trade-offs with other areas. Such effects and trade-offs are not discussed in this report, but should be taken into account in deliberating about these concerns. In addition, although our primary objective was to provide an overview of major Food Stamp Program issues, certain sections of this report discuss issues that affect other welfare programs as well. For example, chapter 5 discusses the interrelationship of the Food Stamp Program with other federal needs-based assistance programs, such as the Department of Health and Human Service's Aid to Families With Dependent Children and the Supplemental Security Income Programs.
CHAPTER 2

CONCERNS REGARDING THE FOOD STAMP PROGRAM'S ACCOUNTABILITY AND INTEGRITY

Over the past several years, errors in determining applicants' eligibility and in calculating monthly food stamp benefits have been major concerns of the Congress; the public; and federal, state, and local program administrators. In February 1983 we reported\(^1\) that during a 2-year period, about $2 billion in food stamp benefits were overissued and about $500 million were under-issued because of food stamp agency errors and participant errors and fraud.

To improve the Food Stamp Program's accountability and integrity, the Congress has made numerous legislative changes directed toward curbing fraud, waste, and abuse. The Food Stamp Act of 1971 required able-bodied adults, who received food stamps and were not exempted by law, to register for and accept employment, thus improving the likelihood that only those truly in need would receive food stamp benefits. The Food Stamp Act of 1977 provided states incentive funding to deter and pursue suspected fraud. The Omnibus Budget Reconciliation Act of 1981 provided states with offset (recoupment) authority, a procedure to recover overissuances from current food stamp participants by reducing their monthly benefits, to facilitate collection of participant-caused overissuances. The act also provided states financial incentives to pursue claims more aggressively against past and present participants to recover overissued benefits. The Food Stamp and Commodity Distribution Amendments of 1981 required wage matching,\(^2\) and the Omnibus Budget Reconciliation Act of 1981 required monthly reporting\(^3\) to improve states' abilities to verify participant-reported information and to detect and prevent issuance errors. The Food Stamp Act Amendments of 1980 gave states an incentive to reduce errors by holding them financially responsible for overissuances exceeding established target error rates. The Food Stamp Act Amendments of 1982 revised the error-rate sanction system and provided states with enhanced funding, under certain conditions, for having error rates below the specified target. The Deficit Reduction Act of 1984 required state agencies administering the food stamp and other assistance programs to

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\(^1\)Need For Greater Efforts to Recover Cost of Food Stamps Obtained Through Errors or Fraud (GAO/RCED-83-40, Feb. 4, 1983).

\(^2\)In conducting wage matches, states compare employer-reported earnings data with participant-reported earnings data to verify earned income information provided on food stamp applications.

\(^3\)Some program participants are required to report information about their income and household circumstances on a monthly basis to local food stamp offices.
develop an income and eligibility system based on an exchange of wage and benefit information between federal programs. These initiatives represent only part of the legislative measures the Congress enacted to improve the overall administration of the Food Stamp Program.

In spite of such legislative and related administrative measures, substantial amounts of over- and underissuances continue to occur. Food and Nutrition Service data for fiscal year 1983 indicate that states' error rates have improved but, because of increases in total program outlays, annual over- and underissuances still approach $1 billion and $250 million, respectively. The $1 billion annual loss equals the amount spent to provide food assistance to almost 2 million needy people for an entire year.

Our reviews of the program and discussions with USDA officials, congressional committee staff, and food advocacy and public interest groups have surfaced a number of concerns related to state and federal efforts to enhance the program's accountability and integrity. These concerns focus on ways to improve states' use of existing management and administrative tools that have been provided to program administrators, as well as on developing new legislative initiatives in selected program areas, and include the following:

-- Should the error-rate sanction system be tightened, and does the quality control system accurately measure states' administrative performance?

-- Are states making the best use of wage matching to identify potential overissuances and correct improper benefit payments?

-- How effectively are states collecting overissuances, and should additional measures be taken to improve states' collection efforts?

-- Is monthly reporting an appropriate approach to reduce food stamp overissuances?

-- Do states have sufficient program information and incentives to use the most effective benefit issuance systems and reduce issuance losses?

-- Should workfare, a program feature that requires certain unemployed or underemployed able-bodied food stamp recipients to work in public service jobs in exchange for their food stamp benefits, be made mandatory or remain optional?

-- Can states' fraud pursuit activities be made more effective to deter and prevent program losses?
ERROR-RATE SANCTION SYSTEM

In 1980 the Congress established, and in 1982 revised, a sanction system that imposes financial liability on states for inaccurate determinations that result in benefit overissuances. Since the beginning of fiscal year 1985, states have had a 5-percent target error rate and are partly liable for overissuances in excess of 5 percent of their total benefit issuances.

Although error rates have decreased over the past 2 years, they are still high, and there has been some congressional interest in increasing states' financial responsibility for their overissuances. Much of this interest has focused on lowering the 5-percent target and/or revising the procedures used in calculating a sanction amount.

Currently, sanctions for overissuances in a given fiscal year are based on the amount of a state's federally reimbursed administrative cost for that fiscal year. The Food Stamp Act Amendments of 1982 require that the federal reimbursement of states' administrative costs (normally 50 percent) be reduced by 5 percent for each 1 percent or fraction thereof (up to 3 percent) by which the state's overissuance rate exceeds the target rate. For example, a state that had a 7-percent error rate in fiscal year 1985 would lose 10 percent of its federal reimbursement for administrative costs--5 percent for each of the two percentage points in excess of the 5-percent target rate. If the state's error rate exceeds the target by more than 3 percent, the state would lose 10 percent of its federal administrative funding for each percent or fraction thereof exceeding the 3-percent difference. For example, had a state's error rate increased to 9 percent in fiscal year 1985, it would lose 25 percent of its administrative reimbursement--5 percent for each of the first three percentage points in excess of the 5-percent target rate plus 10 percent for the remaining percentage point in excess. In all cases the amount that a state could lose in administrative funds cannot exceed the actual amount of overissuances represented by the difference between the error rate and the 5-percent target rate.

Accordingly, the amount of a state's sanction hinges in large part on how much the state spends to administer the Food Stamp Program and is not uniformly proportionate to the amount of overissuances. A state that spends more to operate the program would be sanctioned more than another state that has the same error-rate but spends less to administer the program. H.R. 5151, a bill introduced in 1984 but not enacted, included a provision to make states liable for the full cost of overissuances exceeding the 5-percent target, a procedure similar to that used to calculate fiscal sanctions for another major needs-based program administered by the Department of Health and Human Services (HHS)--the Aid to Families With Dependent Children (AFDC) Program. Such a change in the Food Stamp Program's sanction system would have brought about
a dollar-for-dollar relationship between excess overissuances and sanction amounts.

Some state and local food stamp officials have opposed changing the sanction system to increase state responsibility for overissuances. According to the CRS, critics of increased state responsibility (1) maintain that state treasuries are ill-prepared to take on the added burden of significant food stamp benefit costs "masked as an incentive" for better administration, (2) argue that the existing error-rate reduction system has not been given a chance to prove itself, and (3) contend that high error rates are to a substantial degree the fault of federal regulations and over-legislating of the Food Stamp Program. Despite the fact that underissuance error rates and the percentage of cases in which benefits were improperly denied or terminated have remained relatively stable, some states are concerned about the potential impacts of making the sanction system more stringent. These states fear that other welfare spending might be cut back in order to pay any necessary food stamp sanction and that overzealous administrators would deny benefits to those really eligible in an effort to ensure lower error rates and sanctions.

In commenting on USDA's 1983 revised quality control regulations,4 some states expressed concern that the quality control review process is an insufficient basis for determining sanctions. Some said that their error rates were higher than other states because they made more thorough quality control reviews and thus discovered more errors. Some states also expressed concern that certain technical errors were improperly counted against them and questioned the statistical validity of the error-rate calculations.

These questions have prompted some congressional interest in finding out whether the quality control review process produces an accurate measure of states' program errors. According to House Report No. 98-782, the Committee on Agriculture stated that it intended to review the sufficiency of the quality control review process as a measure of state performance. We are currently planning to review the Food Stamp Program's quality control review process to determine if it accurately measures the incidence of erroneously issued benefits.

Past efforts to address these concerns

In April 1984, we reported5 on existing procedures for holding state and federal organizations financially responsible for

4In conducting quality control reviews, states analyze statistically valid samples of their food stamp caseload to identify the types of eligibility and issuance errors made and to derive program error rates by measuring the percentage of benefits over- or underissued to eligible and ineligible households.

5Federal and State Liability for Inaccurate Payments of Food Stamp, AFDC, and SSI Program Benefits (GAO/RCED-84-155, April 25, 1984).
excessive errors in the day-to-day administration of the Food Stamp, AFDC, and SSI Programs. The sanction systems for these three programs had some common elements and were based on the same underlying premise that assigning states, or the federal government in the case of the SSI Program, some liability for their overissuance errors would result in fewer program losses. We pointed out that the Food Stamp Program's 5-percent target error rate for fiscal year 1985 and beyond was higher than the 3- and 4-percent targets in the AFDC and SSI Programs, respectively. We also noted that in comparing the three programs' sanction systems, the food stamp system resulted in proportionately smaller sanctions because of (1) its higher target error rate and (2) its procedures for calculating sanction amounts based on a percentage of federally reimbursed administrative costs, instead of on the amount of benefits issued (as is done in the AFDC and SSI Programs).

We also reported that states had not paid USDA any of their assessed food stamp sanctions (about $38 million) resulting from approximately $380 million in federal dollars lost through benefit overissuances in excess of target levels. This occurred primarily because USDA waived states' liability based on the states' promises to take corrective action.

Additionally, in March 1982 we testified before the Senate Committee on Agriculture, Nutrition, and Forestry that making states financially liable for excessive Food Stamp Program errors would provide a major incentive for better administration and could result in savings, especially in a program whose benefits are totally financed by the federal government.

We have reviewed the quality control and assurance systems used in the AFDC, Medicaid, and SSI Programs and have found some weaknesses and problems. As noted earlier, we plan to review the Food Stamp Program's error rates.

What needs to be considered?

--Should the Food Stamp Program's target error rate and/or procedures for calculating sanctions be made the same as, or comparable to, those in other needs-based programs such as the SSI and AFDC Programs?

6Better Management Information Can Be Obtained From the Quality Control System Used in the Aid to Families With Dependent Children Program (GAO/HRD-80-80, July 18, 1980).


--Does the Food Stamp Program's quality control review process accurately reflect program errors, and is the process a viable basis for determining sanctions?

--Has USDA's waiver process diluted the potential effectiveness of the error-rate sanction system? Have these waivers been properly granted, and should states be released from their financial liability for excessive overissuances?

WAGE MATCHING

In the past we have reported that the most significant cause of food stamp overissuances is participants' not accurately reporting their earned income. In an attempt to reduce Food Stamp Program overissuances resulting from inaccurately reported earned income, the Congress passed the Food Stamp and Commodity Distribution Amendments of 1981. The amendments required states, beginning in January 1983, to compare participant-reported earnings with earnings information provided by employers to independent external sources, including the Social Security Administration and agencies administering state unemployment compensation laws. This type of comparison, commonly referred to as wage matching, was brought about in part because the President's Council on Integrity and Efficiency, various federal agencies' inspector general offices, state officials, and others had reported that computer matching of data from different sources was an effective way to detect inaccuracies in the income reported by participants in needs-based programs.

In establishing wage matching, the Omnibus Reconciliation Act of 1981 did not specify that computers be used to compare externally reported wage data with participant-reported wage data in food stamp records. However, House Report No. 96-788 indicated that the Congress supported increased automation of states' wage-matching operations. The Congress anticipated that automated matching operations would facilitate access to wage information compiled in computerized files either by participants' names and/or their social security numbers. States without sufficient automation were expected to compensate by performing more manual operations to identify cases with potential unreported income. The Congress also anticipated that wage differences found in the comparison would be appropriately followed up and remedied as necessary.

In recent years, there has been congressional and USDA interest in finding out how well states were implementing the wage-matching requirement and whether additional program changes were needed to improve wage-matching's effectiveness. Also, there has been considerable concern in the Congress and among advocacy groups and others that individuals' rights to privacy be safeguarded during the wage-matching process. Indications are that these interests will continue during deliberations on reauthorizing the Food Stamp Program as part of the 1985 farm bill.
Past efforts to address the concern

We have supported the use of computer wage matching to identify overissuance cases but have also pointed out that there is a delicate balance in federal benefit programs between eligibility verification techniques and individuals' privacy. In February 1983 we reported that more overissuance cases could be identified and that computer matching, specifically wage matching, held considerable promise as a way to identify these cases.

In a September 1984 report on our review of whether states were effectively using wage matching to identity and follow up on potential overissuance cases, we said that better wage-matching systems and procedures would improve the Food Stamp Program's integrity. USDA's OIG also has raised concerns about the efficiency of states' wage-matching efforts. In its January 1984 report, OIG said that some states' wage-matching systems lacked adequate controls because of design or developmental defects.

In our September 1984 report, we reported that the efficiency and results of states' wage-matching activities could be improved if states would make more and better use of computers to compare external wage data with participant-reported earnings shown in food stamp case files. Additionally, we reported that opportunities existed for better state/local follow-up and disposition of cases with potential unreported income, and that this would enable timely adjustment of monthly benefits, recovery of overpayments, and pursuit of suspected fraud. In most (63 percent) of the cases we randomly selected and checked, participants had potential unreported income, but for 90 percent of these cases there was either no follow-up action or the actions taken were inadequate to adjust current benefits and establish claims for overissuances.

We also reported in 1984 that state officials we talked to generally agreed that the success of wage matching was largely dependent on their ability to flag all potential error cases quickly, including those of households that had recently left the program, with a minimum of effort and to limit the cases referred for local office follow-up to those that had material differences between the external and participant-reported wage data. We also noted that since the states we reviewed were using virtually the same wage-matching procedures for both the Food Stamp and AFDC

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9 Need For Greater Efforts to Recover Cost of Food Stamps Obtained Through Errors or Fraud (GAO/RCED-83-40, Feb. 4, 1983).


Programs, HHS and USDA should work cooperatively to improve wage matching in both programs.

At the time of our 1984 report, the Service had not provided states guidance or specifications on automation of wage matching, caseload coverage, or referral criteria for following up on cases with indicated wage differences. Consequently, USDA needed to take several administrative actions to improve the efficiency and effectiveness of states' wage-matching efforts. We recommended that USDA consult and coordinate with HHS to develop consistent wage-matching procedures to the extent appropriate and that the Food and Nutrition Service take the following actions.

--Issue policy guidance describing the most efficient automated methods for identifying participants who may not have reported all their earned income; require states to obtain and compare earned income information for all households that received benefits during the period for which external data are being obtained; and establish dollar criteria on the amounts of potential income errors that require follow-up.

--Modify its regulations concerning increased federal participation in states' costs to develop, install new, or upgrade existing computer systems to require that those systems retain historical data on participant-reported earnings. This should enable states to carry out automated wage matching.

--Establish procedures for states to use in following up on potential overissuance cases. These procedures should address how wage match follow-up work should be done, identify reasonable time frames for completing follow-up actions, and point out the types of management controls needed to make sure that accurate and timely follow-up actions are taken.

In commenting on our report, USDA and HHS agreed on the need to work cooperatively to improve their wage-matching operations. USDA agreed that the effectiveness of states' wage matching could be improved but said that it would continue to allow states maximum flexibility in conducting their wage-matching operations. Also, USDA agreed that systematic follow-up action was a necessary step to make wage matching an effective tool and said that its experience did not reveal any single approach that would be more preferable than others for carrying out follow-up or other key wage-match operations. However, USDA has not yet implemented any of our recommendations.

In its formal statement of actions taken on our recommendations to improve states' wage-matching efforts, dated February 12, 1985, USDA stated that it intends to continue providing states with technical assistance to enhance their wage-matching systems. Additionally, USDA stated that it intends to share effective wage-matching strategies with states as they are developed by other
states and the Department's regional offices. USDA is working with the Long Term Computer Matching Project of the President's Council on Integrity and Efficiency to evaluate the effectiveness of standard wage match formats. As part of this project, USDA is participating in a work group promoting computerized front-end eligibility verification techniques which would help prevent over-payments to ineligible applicants. USDA commented that it will examine the issue of state automation and if it decides to revise the regulations on federal participation for states' automation costs, it will consider modifying the regulations to ensure that states' automated systems retain historical data on participant-reported earnings.

On March 14, 1985, USDA, in conjunction with HHS and the Department of Labor, published proposed regulations to implement the Deficit Reduction Act of 1984. These proposed regulations would require states to establish state income and eligibility verification systems to be used to verify eligibility for the Food Stamp and other means-tested assistance programs. In addition to using earned-income data provided by HHS and Labor, states would be required to request unearned-income information from the Internal Revenue Service. The proposed regulations also would establish procedures and timetables for the system's data to follow up with current recipients and new applicants and could improve state's wage-matching efforts.

In a March 1985 report on our review of privacy concerns relative to the use of various eligibility verification techniques in federal benefit programs, we reported that balancing the competing goals of improving eligibility verification needs and protecting individual privacy is both difficult and controversial. With regard to the use of computer matching, many inspectors general, program managers, and others view computer matching as a viable way to improve the integrity of federal benefit programs; however, some people also are concerned that computer matching could endanger personal privacy.

Action that remains to be taken on our prior recommendations

--We believe that our past administrative recommendations merit additional USDA action. We recognize that states have varying capabilities and resources for conducting and completing wage matches and that flexibility is needed to address the varying problems they face. However, implementation of our recommendations would enable more efficient use of state resources and greatly improve states' wage-matching efforts.

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What needs to be considered?

--Is there adequate oversight of those who conduct computer matching to ensure that it does not abridge participants' privacy rights?

COLLECTING OVERISSUANCES

Historically, states have had difficulty recovering overissuances from both current and former food stamp participants. In February 1983 we reported that states collected only about $20 million of $2 billion of overissuances for a 2-year period (fiscal years 1980 and 1981), or about 1 cent of each overissued food stamp dollar. Service officials point out that identifying and establishing claims against every household would involve large administrative costs, and as a result, the maximum amount of established claims always will be substantially less than the projected overpayments. State officials cited the absence of sufficient financial incentives and effective collection tools as reasons why their collection activities had not been more aggressive.

Past efforts to address the concern

The Congress recognized the need to increase overissuance recoveries and enacted legislation to strengthen collection procedures. The Omnibus Budget Reconciliation Act of 1981 required states to use recoupment, a procedure to recover overissuances from current food stamp participants by reducing their monthly benefits. To give greater incentive to collect more overissued benefits, the act also allowed states to keep 25 percent of their collections on claims caused by nonfraud participant errors.

In our February 1983 report, we noted that states' failure to establish claims against households was a major problem that adversely affected the recovery of overissued benefits. We also identified collection techniques used in other programs that could be used in the Food Stamp Program to increase collections from households not subject to recoupment, usually former program participants. These techniques included state retention (interception) of state income tax refunds, federal interception of federal tax refunds, and use of small claims courts and collection agencies.

We recommended in our 1983 report and in subsequent 1983 testimony before a subcommittee of the House Committee on Agriculture that the Congress amend the Food Stamp Act of 1977 to conform with AFDC legislation that provides for mandatory recoupment against AFDC participant benefits for overpayments caused by any

13Need for Greater Efforts to Recover Cost of Food Stamps Obtained Through Errors or Fraud (GAO/RCED-83-40, Feb. 4, 1983).
type of error—whether agency caused or participant caused. Under current food stamp law and regulations, states are permitted to use recoupment to collect agency error claims only if the household agrees to this method of collection. In commenting on this recommendation, USDA said that the Service would examine the feasibility, effectiveness, and impact of such a measure before recommending that the Congress adopt it.

We also recommended that USDA require states to take appropriate action under state law to recover overissuances against the income or resources of individuals or households no longer receiving benefits. In response to this recommendation, USDA contended that states already had the authority to recover overissuances in any way that was not in conflict with state law. USDA also said the Service preferred to identify and provide states with descriptions of successful collection techniques that they may use at their option. Although states are permitted to use alternative means of collection, they are not mandated to do so. We concluded that to ensure more aggressive collection efforts, states should be required to take any and all appropriate actions to collect outstanding claims.

The Congress has provided increased authority to collect federal claims by intercepting federal income tax refunds as provided by the Deficit Reduction Act of 1984. However, the Service is not certain if food stamp claims qualify for this intercept authority. The act directs the Secretary of the Treasury to reduce (offset) federal income tax refunds otherwise due to individuals to recover past due, legally enforceable debts to the federal government. The act specifies that, for the first 2 years, the tax refund offset is to be used only on a test basis for selected agencies. The Office of Management and Budget (OMB) will designate (but has not yet done so) which agencies and programs shall participate in the test, and when or if the test will be expanded to additional agencies and programs.

We recently completed field work on an ongoing review to determine the effect of recoupment on states' collection efforts in both the Food Stamp and AFDC Programs. Service data indicate that food stamp collections have increased significantly and that much of this improvement was due to the use of recoupment. As discussed in our 1983 report, collection efforts could be further enhanced if states also were required to use benefit reductions (recoupment) to recover overissuances that resulted from state food stamp agency error and if federal tax intercepts were used to collect from those no longer participating in the Food Stamp Program.

In January 1985 USDA's OIG reported on the Food and Nutrition Service's management of food stamp claims. The OIG found that claims establishment continues to require the Service's attention during management reviews, and recommended, among other things, that USDA propose an amendment to the Food Stamp Act of 1977 that would require states to collect overissuances that result from administrative error, instead of just those that result from
participant error, by reducing participants' monthly benefits to offset the overissuances.

According to the Service, the OIG recommendation is under consideration. However, the Service has some reservations about adopting it because agency errors are not the fault of the participants who may have acted in good faith. The Service acknowledged that using recoupment to collect all claims against current participants would likely increase collections. It should be noted that claims arising from agency-caused overissuances are not exempt from collection—they are valid debts that states try to collect through whatever means they see fit. The OIG recommendation merely aims to make such collection efforts more effective.

Indications from our ongoing review of states' collection efforts are that the legislative changes that authorized the use of additional techniques, especially benefit reductions (recoupment), and provided financial incentives to collect claims have prompted some states to improve their collection efforts. However, as pointed out by USDA's OIG and the Service, recoveries of overissued benefits could be increased if all claims against current participants were treated the same. As noted earlier, the potential use of federal income tax refund intercepts could help in increasing the recovery of overissuances to former participants.

**Action that remains to be taken on our prior recommendations**

--The Congress should revise the Food Stamp Act of 1977, as amended, to require recovery of overissuances by reducing monthly benefits of currently participating households regardless of the reason for the improper issuance. To accomplish this, we suggest that section 13(b)(2) be amended by deleting the phrase "and claims arising from an error of the State agency."

--USDA should require, not merely authorize, states to take all appropriate actions to collect outstanding claims.

**What needs to be considered?**

--Should the Congress assess OMB's progress in implementing the federal income tax refund offsets authorized by the Deficit Reduction Act of 1984 to see if this authority should be used to assist recovery of overissued food stamp benefits?

**MONTHLY REPORTING**

The Congress established monthly reporting in the Food Stamp Program to minimize incorrectly issued benefits resulting from participants' failure to report changes in financial and other pertinent circumstances that would affect eligibility or benefit
levels. Monthly reporting requires that certain designated categories of participating households mail to their local food stamp office a monthly report containing information about their income and certain other pertinent circumstances so that changes affecting eligibility and benefit amounts can be taken into account in a timely manner. Mandatory monthly reporting for food stamp households became effective January 1, 1984, and for AFDC households October 1, 1981.

Concern about the effectiveness of monthly reporting in reducing errors has centered on the administrative cost to operate a monthly reporting system versus the benefits derived from such a system.

Past efforts to address the concern

We recently completed field work on a review of Food Stamp and AFDC Program monthly reporting. As part of our review, we evaluated the reliability of several major studies of monthly reporting demonstration projects in Colorado, Illinois, Massachusetts, Michigan, and New York. These studies examined the effectiveness of monthly reporting procedures in reducing food stamp and AFDC participant- and agency-caused errors. The federally funded monthly reporting studies we reviewed provided varied answers on the effectiveness of monthly reporting in reducing errors and collectively did not demonstrate that monthly reporting is either more or less advantageous than other methods for reducing overissuances that result from inaccurate benefit and eligibility determinations.

In July 1984, the Congress passed the Deficit Reduction Act which could alter states' food stamp monthly reporting procedures. The act exempts from monthly reporting all AFDC households except those with recent earned income or work history. USDA has authority to grant states waivers to make their food stamp monthly reporting requirements compatible with AFDC's and anticipates that states will request waivers to accomplish this. States could thus substantially reduce their administrative workload by targeting the requirement only to households with recent earned income and work history. According to the Service's August 1982 Household Characteristics Survey (the most recent survey data available), about 18 percent of all food stamp households reported earned income. Statistics on participants with recent work history were not compiled in the 1982 survey. Service officials told us that as of March 1985, 34 percent of all households were subject to monthly reporting, 45 percent were exempt by waivers, and 21 percent were exempt by statute.

What needs to be considered?

--In view of the absence of definitive answers as to whether monthly reporting has been effective in reducing errors and the short period of time states have had to adjust their procedures to the recent legislative change in the AFDC
Program's monthly reporting requirement, would it be appropriate to let states continue implementing the monthly reporting requirement to see how well it works or does not work?

**FOOD STAMP ISSUANCE LOSSES**

Food Stamp issuance systems are used to distribute food stamp benefits to participating households for use in buying food. These systems generally fall into four categories:

-- An authorization-to-participate (ATP) system in which an ATP card is mailed each month to the participating household, which must surrender the card at an authorized food stamp issuance office to obtain food coupons.

-- A direct mail system in which states mail food coupons directly to the participating household.

-- A direct delivery system in which the participant obtains food coupons directly from a local food stamp issuance office or a contractor's office.

-- An on-line or computerized system in which the participant presents a coded identification card to a food stamp issuance office, food coupons are issued, and a record of the issuance is computer generated.

USDA data show that millions of dollars in food stamp benefits are being lost each year through the issuance process primarily because of participant and third-party fraud or state agency error. Data were not available on the amount of losses for all issuance systems. Service data indicate that by fiscal year 1984 losses in the two primary systems dropped from about $34 million in fiscal year 1981 to $14 million in fiscal year 1984.

In fiscal year 1984, states distributed about half of all food stamp benefits through the ATP issuance system and about one-third by direct mail. The remaining benefits (about 22 percent) were distributed primarily by the direct delivery or on-line computerized issuance systems. USDA assumes financial liability for most of the losses that are incurred in issuing food stamp benefits. The Food Stamp Act of 1977, as amended, and USDA regulations make states financially liable for only part of the losses incurred through the ATP and direct-mail systems. However, states are financially liable for all of the losses incurred through other alternative systems, such as direct delivery and on-line systems, which have a particularly low vulnerability to losses.

**Past efforts to address the concern**

Both the Congress and USDA have taken steps to address the problem of issuance losses. The Omnibus Budget Reconciliation Act of 1982 authorized USDA to require states to use alternative methods of issuance, including a computerized system, if USDA and
its OIG determine such alternative systems would improve program integrity. USDA has contracted with a consulting firm to evaluate the operational characteristics of effective issuance systems that states currently use.

In a January 1982 report, we noted that the Food Stamp Program's principal benefit delivery method--the ATP system--had serious weaknesses and we recommended, among other things, that the Service determine what elements of existing issuance systems were most effective in preventing program losses and direct that the more effective methodologies be used where appropriate.

We recently made a follow-up review to determine what progress has been made to reduce benefit issuance losses. Food Stamp Program data that we reviewed showed that reported losses have declined, and program reports were attributing those improvements to actions taken by the states and the Service to improve the issuance systems. Losses under the ATP and direct mail systems still exceed $14 million a year. Service data show that most of the reported losses are incurred under the direct mail system. Although the losses represent less than 1 percent of reported ATP and mail issuances, further loss reductions are possible. Although some other more technologically advanced issuance approaches that do not rely on the mailing of food coupons are being explored, Food Stamp Program officials say that extensive use of such issuance systems is not imminent.

What needs to be considered?

--Are current food stamp laws and regulations concerning states' financial liability for issuance losses providing adequate incentives for states to use more effective and less vulnerable systems?

WORKFARE

Currently, states and localities may choose to operate a food stamp workfare feature under which unemployed or underemployed able-bodied adult food stamp recipients not taking care of very young children or the disabled are required, as a condition of food stamp eligibility, to work off their household's food stamp benefits in a public service job. The cost of operating workfare is shared by USDA and the operating jurisdiction, and if a savings of program benefits results because a workfare participant gets a job, part of the savings is returned to the operating jurisdiction. Since October 1982, some jurisdictions have administered a similar optional workfare feature for AFDC recipients.

14Millions Could Be Saved by Improving Integrity of the Food Stamp Program's Authorization-to-Participate System (GAO/CED-82-34, Jan. 29, 1982).
There has been disagreement among program officials, public interest groups, and others over whether workfare has been successful and whether states should be required to establish workfare requirements for food stamp and other public assistance recipients. Proponents of workfare have argued that it is beneficial to the federal government, the program recipient, and the local community. Reducing the number of people receiving food stamp benefits saves the federal government money, enhances the program's integrity, and provides recipients with work experience that encourages a work ethic and can speed their transition to economic independence. Since food stamp recipients work on public service jobs, the local community benefits as well.

Workfare opponents have contended that the workfare concept achieves none of the above goals. They have argued that because of high administrative costs, workfare is not cost effective. Rather than enhancing employability, most jobs are "make work" and do not provide training that can help recipients find and keep jobs in the private sector. Despite a specific prohibition against workfare participants taking jobs away from regular employees, some workfare opponents also contend that workfare programs can cause paid employees to lose their jobs because food stamp recipients, a free labor source, are used instead of regular employees.

USDA has submitted a series of reports to the Congress on the Food Stamp Workfare Demonstration projects. The results of these demonstrations suggest that workfare is administratively possible and effective. In an interim report released in February 1985, Manpower Demonstration Research Corporation, a research firm which is studying the results of AFDC workfare projects in eight states, cited some favorable workfare results from a demonstration project in San Diego, California. The report's executive summary indicated that some participants experienced a significant increase in earnings and that program savings resulted from an average annual reduction of $200 in households' food stamp benefits.

Past efforts to address the concern

Since 1971, the Congress has enacted legislation designed to encourage food stamp recipients to seek employment. The Food Stamp Act of 1971 required able-bodied adults, who received food stamps and were not exempted by law, to register for and accept employment. In a 1978 report, we noted that the work registration requirements had had limited success because local food stamp offices (1) did not register some nonexempt recipients, (2) sent incomplete information to employment services offices, and (3) took too long to process work registration forms.

The Food Stamp Act of 1977 required the concept of workfare to be tested in 14 pilot projects, including both rural and urban

15Food Stamp Work Requirements--Ineffective Paperwork or Effective Tool? (GAO/CED-78-60, April 24, 1978).
areas. The Food Stamp Act Amendments of 1980 extended the workfare demonstration through December 1981 to include more demonstration sites. We issued a report in July 1981 that provided information on the first seven workfare demonstration projects. We pointed out that adequate information was not available to enable us to draw conclusions about the effectiveness of the workfare concept, and we concluded that legislative and administrative changes were needed to provide a more effective and efficient workfare operation. These changes included eliminating the exemption of certain recipients from workfare and strengthening program sanctions against individuals who did not comply with workfare requirements.

The Agriculture and Food Act of 1981 authorized states and local jurisdictions to implement workfare as a permanent optional feature of the Food Stamp Program and included some of the legislative changes we had recommended in our 1981 report.

In February 1982, we again reported that workfare cost-benefit results were inconclusive but that the 1981 legislative changes, once implemented, could provide better evidence of the effects of workfare on the Food Stamp Program. In March 1982 we testified before the Senate Committee on Agriculture, Nutrition, and Forestry that the workfare concept was administratively feasible. In January 1983, we also reported that AFDC Program workfare projects had not provided information demonstrating the success or failure of the workfare concept.

The Food Stamp Act Amendments of 1982 provided states up to 100 percent federal reimbursement for their administrative expenses associated with operating workfare. In 1983 and 1984, the administration proposed that food stamp workfare be made mandatory, but the necessary legislation was not enacted in either year. Also, in 1984 a bill (H.R. 5054) proposed to require states to operate workfare programs for Food Stamp Program participants, but the bill was not enacted.

What needs to be considered?

--Is there a need for more information on the advantages and disadvantages of workfare? If so, should USDA be required to provide such information to facilitate a decision as to


17Food Stamp Workfare--Cost Benefit Results Not Conclusive; Administrative Problems Continue (CED-82-44, Feb. 19, 1982).

whether to make workfare mandatory in all food stamp jurisdictions? If not, should workfare be left as a state/local option or should it be made mandatory?

FRAUD PURSUIT

No one knows how much federal money has been lost through recipient fraud, but in recent years program officials have agreed that Food Stamp Program fraud is a serious and pervasive problem. In March 1984 USDA's OIG reported that, despite intensified efforts and the high priority assigned to control fraud, there had not been a significant increase in states' establishment, prosecution, or collection of fraud claims. The Service disagrees with the OIG's report, noting that the number of investigations, hearings, and prosecutions has increased significantly. For example, according to the Service's January 1985 report entitled Improving Food Stamp Program Management, between fiscal years 1981 and 1984, the number of completed fraud investigations increased from 30,229 to 147,577, the number of administrative fraud hearings increased 128 percent from 9,952 to 22,699, and the number of completed prosecutions increased 168.6 percent. However, the Service agrees that only a portion of the cases warranting investigation have been pursued and that strong efforts to deter fraud must continue at all management levels.

Past efforts to address the concern

Before 1977, the only way for states to pursue suspected food stamp fraud was to adjudicate cases through the courts. For various reasons, local district attorneys often were reluctant to accept food stamp cases of alleged recipient fraud. For example, in New York City a potential fraudulent food stamp case had to involve at least $1,500 before district attorneys would pursue it in the courts.

To overcome the problem of states' reluctance to prosecute food stamp fraud cases in the courts, we recommended in a 1977 report that states be permitted to adjudicate fraud administratively. The Food Stamp Act of 1977 contained a provision, implemented during October 1978, allowing states to hold administrative hearings for individuals suspected of fraud.

In a 1983 follow-up report, we noted that states had not investigated or adjudicated many identified cases of potential fraud.

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21Need for Greater Efforts to Recover Cost of Food Stamps Obtained Through Errors or Fraud (GAO/RCED-83-40, Feb. 4, 1983).
fraud because of perceived obstacles to effective and efficient adjudication. For example, in New York City between 1980 and 1982, few investigations were made of almost 52,000 cases involving inaccurate reporting or individuals' receipt of multiple benefits. No cases were referred for adjudication.

We also reported in 1983 that administrative hearings had helped in adjudicating some cases but that problems and barriers to adjudication still existed. Officials in the states we visited mentioned such problems as the high cost of an administrative hearing, the difficulty of obtaining and presenting the same high degree of evidence as would be required in court cases, and states' inability to enforce monetary judgments. We pointed out that comprehensive data were not available on the issue of how much fraud existed in the program. No one knew for certain how much money was actually lost through recipient fraud. Because fraud is ultimately determined by adjudication, definitive information on this may not be obtainable.

The Congress has taken action to encourage states to pursue food stamp fraud. The Food Stamp Act of 1977 increased from 50 to 75 percent the federal government's share of states' administrative costs for investigating and prosecuting fraud. As an additional incentive, the Food Stamp Act Amendments of 1979 permitted states to keep half of all recoveries of fraud-related over-issuances. According to USDA's OIG, 46 states were participating in the enhanced-funding program during 1984.

To deter recipient fraud, the Congress in 1981 set mandatory disqualification periods for fraud. For a first offense, a recipient is disqualified from the program for 6 months; for a second offense, 12 months; and for a third offense, the recipient is permanently disqualified from participating in the Food Stamp Program.

Even with existing incentives to pursue fraudulent activity, we and USDA's OIG have reported that states are still having trouble pursuing fraud. In 1983 we reported that USDA should escalate its efforts and develop a more effective approach to its management responsibilities regarding pursuit of potential recipient fraud in the Food Stamp Program. We recommended that USDA determine the extent of recipient fraud and require states to develop operating plans regarding the pursuit of fraud. USDA should periodically evaluate states' efforts to adjudicate fraud cases and, to the extent practical, provide guidance and technical assistance.

According to USDA, the Service recognized the need to refine the data it receives on states' fraud pursuit and is examining information needs and availability to determine how best to monitor state agency performance in this area.

The Service also has emphasized reducing fraud through its Operation Awareness initiative, which is intended to complement existing legislative efforts. The Operation Awareness, a joint
effort by federal, state, and local program administrators, includes publications and conferences that inform state and local administrators about fraud prevention efforts and techniques. For example, the Service periodically issues a report that describes innovations that program administrators at all levels have developed to reduce fraud, and Service regional offices hold fraud conferences at which topics such as fraud pursuit are discussed among federal, state, and local program officials.

Actions that remain to be taken on our prior recommendations

--USDA needs to continuously assess state plans and efforts to identify, investigate, and adjudicate suspected fraud.

--USDA should work to eliminate the main administrative hearing barriers regarding cost, evidence, and enforcement.
CHAPTER 3

CONCERNS ABOUT SIMPLIFYING THE

FOOD STAMP PROGRAM

In recent years the Congress and federal, state, and local administrators have expressed concerns about the need for using more efficient, systematic, and uniformly simple procedures in administering the Food Stamp Program. The Food Stamp Program has complex procedures for certifying households eligible for participation and determining their benefits. States attribute many of their eligibility and benefit errors to complicated eligibility certification and income verification procedures. Some state administrators have maintained that simplification measures are needed because frequent changes in the Food Stamp Act of 1977, as amended, and in federal regulations have increased the program's complexity and made it more difficult to administer properly. Consequently, the Congress and USDA have become more sensitive regarding the potential administrative burden legislative and regulatory program changes might have on states.

On the basis of our prior work and our discussions with congressional staff, USDA program officials, and public interest groups, the following concerns are likely to be the focus for any new legislation to simplify the Food Stamp Program's administration:

--Can the criteria for determining Food Stamp Program eligibility and benefits be simplified through use of standard income deductions (instead of individualized income deductions) and other means?

--Could states' administration of the Food Stamp Program be simplified by making participants in certain other needs-based programs automatically (categorically) eligible for food stamps?

--Would the use of food assistance block grants simplify states' administrative operations without being disadvantageous to the needy?

--Should the Food Stamp Program use cash instead of food coupons?

ELIGIBILITY CERTIFICATION CRITERIA

The Food Stamp Program imposes three major tests for a household's eligibility: income limitations, liquid assets limitations, and work registration and job search requirements. However, states can exempt food stamp participants from work registration and job search requirements or the liquid asset test if they meet similar requirements and tests in the AFDC Program, but such exemption does not apply to income.
The criteria for establishing income eligibility are complex. A net income determination involves a number of judgments regarding income inclusions and exclusions and a formula embracing five income deductions that require a series of mathematical computations. According to the President's Task Force on Food Assistance, the food stamp application form and requisite worksheet can cover several pages of detailed questions. The task force reported that such detail allows a national program to be more flexible in meeting specialized household situations in its eligibility determinations, but this flexibility clearly has costs. Such costs not only involve caseworkers' time and effort, but also the errors that result from program complexities. On the other hand, one of the costs of standardization could be a redistribution of benefits, causing some households to gain and some to lose benefits.

Generally, all individuals living together and purchasing food and preparing meals in common constitute a food stamp "household" and must apply together; the income and assets of all household members are aggregated in determining eligibility and benefits. However, unrelated persons and elderly or disabled parents can still apply as separate "households" and have only their income and assets considered in determining their eligibility and benefits. The discussion in program regulations of who is or is not a household member or a separate household is detailed and complex and can lead to errors. Generally, it is advantageous for individuals living together to apply as separate households because the total benefits for several small households are greater than the benefit for one household with the same total number of members.

Past efforts to address the concern

In 1975 we reported\(^1\) that using standard income deductions, instead of personalized deductions that are individually tailored, could simplify program administration and reduce program errors. Since then, we have continued to advocate simplified income and eligibility determination procedures. In our 1982 testimony before the Senate Committee on Agriculture, Nutrition, and Forestry, and the House Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition (Committee on Agriculture), we discussed program simplification and said that one possibility would be to create a standard income deduction for shelter costs rather than basing their complex computation on a number of varying household circumstances as currently required.

In May 1982, we commented on S. 2352, which proposed to tighten the definition of a household for food stamp program purposes. We pointed out that because monthly food stamp benefit

\(^1\)Observations on the Food Stamp Program (RED-75-342, Feb. 28, 1975).
tables assume that smaller households need more money per person for food purchases than larger households, it would always be advantageous for program applicants to claim separate household status if possible. We said that although a simplified definition of a household may not precisely fit the circumstances of every program applicant, it would greatly simplify the administration of this large and costly program.

We also noted in our 1982 testimony that the previous year's legislation had modified the definition of a food stamp household but that unrelated persons and elderly and disabled parents could still claim separate household status. Because it is very difficult to verify separate household status for people living together, we said that treating persons living together as a single household would simplify the eligibility/benefit process and free staff time for other program needs.

In 1983 testimony before the House Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition, we noted that the President's 1984 budget proposals included an item on modifying and/or consolidating several existing program income deductions that try to take into account individual household circumstances. We explained that calculating these deductions for each household is a complex, time-consuming process and contributes to erroneous payments. We said that consolidating and standardizing income deductions has considerable merit and could offer, as a side benefit, the freeing of staff time to concentrate on verifying income, assets, and household size.

In our 1983 testimony, we also noted that the President's 1984 budget proposals would modify the definition of a separate food stamp household and require that unrelated persons living together be considered as a single household. However, the proposal was not enacted. In commenting on that proposal, we said that such a change had merit. Our work had shown that inaccurate information received from households regarding household size, and inaccurate use of such data by local food stamp agencies, contributed to a substantial part of food stamp overissuances—16 percent in eight states for which we analyzed data for the 6-month period that ended March 31, 1981. Although these results were not statistically projectable for the program as a whole, the eight states did issue approximately 25 percent of all food stamp benefits during fiscal year 1980.

Streamlining the definition of a household for the Food Stamp Program would help eliminate program abuse, reduce administrative time and effort because of the smaller number of household "cases," and reduce benefit costs by combining previously separate households into fewer, but larger, households. Perhaps a more important consequence would be that it could free up some food stamp office staff for better verification of such eligibility factors as household income and assets, which historically have generated the vast majority of program overissuances.
Actions that remain to be taken on our prior recommendations

--The Congress should redefine a food stamp household so that all persons living together would be considered a single unit for program eligibility and benefit purposes.

--The Congress should establish one or more standard income deductions to replace the individualized income deductions currently being used.

What needs to be considered?

--Should the Congress require USDA to propose additional approaches and procedures for simplifying the Food Stamp Program's eligibility criteria?

CATEGORICAL ELIGIBILITY

Under existing law, certain categories of households can automatically apply for food stamp benefits by completing the application process for other federal needs-based programs or general assistance. For example, in some states individuals who are applying for AFDC benefits may not have to complete a separate application to receive food stamp benefits. Rather, they can complete a single application that serves the purposes of both programs. Similarly, households in which all members are applying for SSI Program benefits can complete separate applications at the Social Security Office for both SSI and food stamp benefits. Also, states or localities that have their own general assistance programs may, but are not required to, provide a uniform application that can be used for both the general assistance program and the Food Stamp Program.

Although the same application procedures can be used for some food stamp, and AFDC or SSI applicant households, most of these households must still meet separate Food Stamp Program eligibility criteria. Some households are exempt from certain Food Stamp Program eligibility tests. For example, (1) food stamp households may be exempt from the assets test if they are meeting a similar or stricter test in the AFDC Program, (2) most food stamp households are exempt from the registration and job search work requirements if they are fulfilling a similar requirement for AFDC benefits, and (3) some households in approved pilot projects are exempt from the food stamp net income and assets tests if the household members are recipients of AFDC, SSI, or Medicaid benefits.

Past efforts to address the concern

In our 1975 report, we noted that categorical food stamp eligibility for AFDC participants could lead to inequities in total assistance for households that received AFDC benefits versus those
who did not. Essentially, this occurred because the programs had different income standards. The Food Stamp Act of 1977 subsequently eliminated categorical food stamp eligibility for public (AFDC) and general assistance households. Because the Congress was concerned that this would discourage public assistance households from applying for food stamp benefits, the act provided that households in which all members are included in a federally aided public assistance or state or local general assistance grant shall have their applications for participation in the Food Stamp Program contained in the public or general assistance application form. This provision was amended in 1982 to allow states discretion in the use of joint applications.

The President's Task Force on Food Assistance recommended categorical food stamp eligibility for AFDC and SSI recipients. This recommendation was based on the task force's findings that food stamp participation among eligible households was lagging and that administrative simplification was needed.

The President's 1984 budget proposals included a change to reduce administrative time and effort by making automatically eligible for food stamp benefits all households in which all members were receiving, or were certified as eligible for, AFDC benefits. Although we still have the same kind of equity concern regarding the administration's automatic eligibility proposal as we noted in our 1975 report, establishment of adequate safeguards to eliminate potential inequities would resolve our concern.

In a 1984 report (98-782) by the House Committee on Agriculture on H.R. 5151, categorical food stamp eligibility for AFDC and SSI households was cited as addressing four important goals for the Food Stamp Program: simplifying administration, easing access to the program for eligible households, emphasizing coordination with other public assistance programs, and reducing the potential for error in establishing eligibility. According to the report, about two-thirds of food stamp households receive either AFDC or SSI benefits. Accordingly, the Committee expected that categorical food stamp eligibility would reduce the administrative time needed by local offices to handle these cases, thereby allowing more efficient use of resources. A CRS issue brief concurred that categorical eligibility would obviate the need for a separate eligibility determination; however, it noted that separate calculations and information gathering would still be necessary to determine food stamp benefit levels.

Several USDA pilot projects are currently underway to test simplified methods of household eligibility and benefit determinations using information contained in a household's AFDC, SSI, or Medicaid application. Reports on these projects are expected in 1985.

What needs to be considered?

--What effect could categorical eligibility have on food stamp participation and costs?
--Is it feasible to use categorical eligibility as a way to simplify the Food Stamp Program without first establishing the same certification criteria for the programs involved?

--What programs should be designated as providing categorical eligibility for food stamp benefits?

--How would categorically eligible households be recertified for continued program participation?

**BLOCK GRANTS**

In recent years discussion about using a block grant approach and giving states the option of establishing their own food assistance agenda has increased. Under such an approach, states could be free to establish their own eligibility requirements and administrative procedures within bounds set by the federal government.

A block grant approach for food assistance has been used in Puerto Rico since July 1982, when its Food Stamp Program was replaced by a $825-million-a-year grant. Under the grant, Puerto Rico's Nutrition Assistance Program provides direct cash assistance to needy households. In April 1983, USDA completed an evaluation of Puerto Rico's grant and found that:

--Administrative costs were about $10.5 million a year less than under the Food Stamp Program.

--Distributing benefits in cash rather than food coupons saved about $12 million annually in coupon acquisition cost. (Puerto Rico discontinued the use of food coupons.)

--Total benefits were less than under the Food Stamp Program because of tightened eligibility requirements and more intensive verification of information provided by food stamp applicants and participants.

--Average monthly participation during the first 6 months was about 10 percent less than would have been expected under the Food Stamp Program.

In its 1984 report, the President's Task Force on Food Assistance stated that needy people would benefit if federal food assistance programs, or any subset of them, were controlled at the state or county level. The advantages from such an arrangement would allow the states (1) more autonomy in allocating funds among various food assistance efforts, (2) greater discretion in administering programs, and (3) greater responsibility for assuring that funds are properly targeted toward those in greatest need. This would help to increase the benefits available to the truly needy without increasing the cost to the taxpayer.
According to a CRS issue brief, proponents of using a block grant approach as a replacement for the Food Stamp Program argue that such grants would improve administration of nutritional assistance benefits by freeing states from a burdensome, complex set of federal rules that may or may not fit the needs of a state's low-income population. It also would indirectly give states a financial stake in the quality of administration—that is, if the block grant did not meet the cost of a state's program, the state would have to come up with any needed extra funding.

Opponents of block-granting food assistance point to the Food Stamp Program's role as a means of providing aid to low-income groups not served by state-designed traditional welfare programs, and responding to the effects of economic downturns with short-term aid. They fear that states choosing a block grant would not be able to provide assistance equivalent to food stamps, given the relatively fixed amount of each state's block grant.

Past efforts to address the concern

S. 1279 introduced in 1983, but not enacted, proposed to give each state the option of meeting the nutrition needs of its low-income population through an annual block grant of federal funds, rather than operating a Food Stamp Program. Under the block grant, a state would be free to design and operate a low-income nutritional assistance program of its own choosing—as Puerto Rico has done—with very few federally prescribed rules.

The President's Task Force on Food Assistance recommended in its 1984 report that the Congress give states an option to participate in any or all existing food assistance programs or in an autonomous food assistance program, with a stipulation that a state operating an autonomous food assistance program could not divert those funds to other uses.

What needs to be considered?

---Could using a block grant approach instead of continuing the present Food Stamp Program lead to simplified administrative operations without depriving needy households of food assistance?

---Is there a need to run a demonstration project in one or more of the 48 contiguous states to get better information on the probable results of block-granting the Food Stamp Program, or is the Puerto Rico experience sufficient?

USE OF CASH INSTEAD OF COUPONS

Prior to 1979, households participating in the Food Stamp Program received the total monthly food stamp allotment specified by the Thrifty Food Plan, but those with income had to pay for the allotment with part of their income (30 percent). The purchase price was less than the monetary value of the coupon allotment,
and the difference was the bonus value (benefit). Since elimination of the purchase requirement (see p. 37), households receive only the monthly bonus value in food coupons and there is no need to account for cash receipts that otherwise would be involved.

A further program simplification approach would be to cash-out program benefits completely; that is, give participating households government checks instead of food coupons. Such a change would eliminate the need for food coupons, coupon issuance offices and agents, the various benefit issuance systems (see p. 18) now in use or planned, and the authorization and monitoring of food stores authorized to accept food coupons (see p. 35). This change would simplify matters for participating households who would not have to bother with authorization cards and food coupons. It also would make matters easier for authorized food stores who would not have to ensure that only eligible items were bought with food coupons, nor separately handle and deposit the coupons. However, cash-out also could further diminish, if not outright eliminate, the food/nutrition orientation of the program, and could affect program participation.

Past efforts to address the concern

The Food Stamp Act of 1977 authorized an SSI/Elderly Cash-Out Project to test the effects of providing cash in lieu of food coupons to persons 65 and over and to persons receiving SSI benefits. The project sought to determine the effect of a cash benefit system on program participation and on household expenditure patterns and nutrient intake. According to the final report on the demonstration project, the SSI/Elderly cash-out procedures were easily implemented, resulted in an administrative cost saving, caused a very modest increase in participation by the elderly, and were believed by staff at several of the demonstration sites to reduce benefit replacement requests and tighten control of possible fraud. The report did not indicate any negative effects resulting from the use of cash instead of food coupons.

Some insight on the effects of a cash-out also are available from USDA's report on the Puerto Rico Nutrition Assistance Program, which uses cash instead of food coupons. The report concluded that administrative and other costs were reduced.

What needs to be considered?

--Would cashing-out the Food Stamp Program be advantageous to program administrators and/or participants?

--Is sufficient information on cashing-out available from the SSI/Elderly Cash-Out Project and from Puerto Rico's experience?

--If not, should USDA be required to make a cash-out study as a basis for congressional decision on this matter?
CHAPTER 4
CONCERNS REGARDING THE FOOD STAMP PROGRAM'S NUTRITIONAL ADEQUACY

The Food Stamp Act of 1977, as amended, states that it is the policy of the Congress to safeguard the health and well-being of the nation's population by raising the nutrition levels among low-income households. The Congress had found that limited food purchasing power contributed to hunger and malnutrition in low-income households. To alleviate this problem, the Congress authorized the Food Stamp Program to permit low-income households to obtain a more nutritious diet.

Food stamp benefits are based on the cost of meals under a Thrifty Food Plan, USDA's lowest cost diet for a family of four persons, consisting of a man and woman ages 20 to 54 years, and two children ages 6 to 8 years and 9 to 11 years. The Thrifty Food Plan specifies the quantities and types of foods that can provide a nutritious diet.

Given past budget austerity initiatives, and the current budget emphasis on cost reductions, there has been some congressional and public concern as to whether the nutritional and health aspects of the Food Stamp Program are adequately helping to meet the needs of program participants. The Grace Commission reported in 1983 that food stamp benefits are well beyond nutritional requirements. Following are some key concerns that are pertinent to this issue.

--What is the Food Stamp Program's nutritional impact on participating households?

--Can USDA reasonably ensure that authorized retailers are accepting food coupons from participants only for food items?

--Should the purchase requirement, which stipulated that participants pay a portion (30 percent) of their monthly income for a full month's allotment of food coupons, be restored?

--Does USDA's Thrifty Food Plan provide an adequate basis for determining the amount of food stamp benefits that households need to help meet their nutritional needs?

--Should Thrifty Food Plan allocations continue to be based on USDA's 1971 model four-person household consisting of a man, a woman, and two children?

--Should USDA revise the Thrifty Food Plan's 1965 economies-of-scale adjustment factors that are used to
determine food stamp benefit levels for households that have more or fewer members than the four-person model household?

NUTRITIONAL IMPACT OF THE FOOD STAMP PROGRAM

A major policy question raised by some public interest groups and Food Stamp Program administrators is whether participating households are obtaining a more nutritious diet. Several research efforts have been made to answer this question; however, the results of these efforts have varied and resulted in disagreement among nutritionists and policymakers about the extent to which food stamp benefits have helped improved nutrition.

For example, in 1984 the President's Task Force on Food Assistance reported that the Food Stamp Program did not have a pronounced impact on nutritional intake. According to the task force, the absence of pronounced nutritional impact suggests either that most low-income households would obtain most of the nutrients for reasonable health without food stamps, or that the program is not effective at improving poor health in these households. In contrast, the Society for Nutrition Education stated in a 1980 position statement that food assistance programs, especially the Food Stamp Program, have contributed to improving the nutrient intake of low-income households. As support for this position, the Society noted the differences between USDA's 1965 and 1977 Nationwide Food Consumption Surveys that showed nutritional improvement in low-income households over the 12-year period. Such differences in opinion underscore the uncertainty about the Food Stamp Program's nutritional impact.

Past efforts to address the concern

In March 1978 we examined federal nutrition research efforts and reported¹ that research was needed to (1) continuously monitor the food consumption, nutritional status, and health of representative sample populations (such as low-income households), (2) develop more reliable techniques to measure food consumption and faster, readily reproducible, and inexpensive methods to assess nutritional status, and (3) identify the determinants of nutritional status and their significance for improving health.

In June 1983 we also reported² that an accurate assessment had not been made of (1) the extent to which Americans are going hungry or are malnourished and (2) the overall effectiveness of

²Public and Private Efforts to Feed America's Poor (GAO/RCED-83-164, June 23, 1983).
federal domestic food assistance programs in today's environment. We suggested that such an assessment be made. As of March 1985, USDA had not collected any additional information regarding the number of hungry people in America or assessed the overall effectiveness of the federal food assistance effort. However, it had conducted a number of studies examining the effectiveness and nutritional effect of some of its individual food assistance programs.

In its report, the President's Task Force on Food Assistance recommended that an expanded nutritional monitoring system be established to enable the Congress to determine the nutritional status of households and to evaluate how food assistance programs affect nutrition and health. In response to this recommendation, H.R. 5151, introduced in 1984 but not enacted, included a provision that would have required USDA to obtain more statistically valid nutritional status data on low-income households. The House Committee on Agriculture noted in report 98-782, which accompanied H.R. 5151, that the effect of food assistance programs on food expenditures and dietary intakes could be better evaluated if nutrition surveys were weighted for low-income individuals.

What needs to be considered?

--Can the nutritional impact of the Food Stamp Program on participating households be accurately measured?

--If so, who should measure the impact, what will it cost, and how long will it take?

RETAILERS' COMPLIANCE

The Food Stamp Program's basic aim is to provide low-income households the opportunity to purchase a low-cost, more nutritionally adequate diet. To further this objective, USDA has issued regulations and instructions that are intended to assure that program participants use their increased purchasing power to buy the staple foods most needed in their diets. Accordingly, participants are to use their food coupons to purchase food through regular market outlets, primarily retail food stores that meet program criteria and are specially authorized by the Service. Once authorized, retailers may accept coupons only for the food products intended for home preparation and consumption, not for such things as laundry or household supplies, vitamins and medicines, alcoholic beverages, pet food, hot food ready to eat, cigarettes, or other nonfood items. The Service also is primarily responsible for monitoring, investigating, and penalizing retailers to enforce compliance with program rules.

Food coupons (issued in $1, $5, and $10 denominations) may not be exchanged for cash or credit, and cash change in food purchase transactions can only be returned in amounts of less than
one dollar. However, the coupons are readily transferable, leaving no audit trail of who redeemed them or what items were purchased with them. Consequently, the Service is faced with a difficult task in monitoring authorized retailers to detect any abuses. In addition to the illegal exchange of coupons for ineligible (nonfood) items, coupon abuses include trafficking in or discounting coupons—transactions in which individuals exchange food coupons for cash.

Past efforts to address the concern

In December 1978, we reported\(^3\) that the Service had unnecessarily authorized some retailers to accept food coupons even though they sold only token amounts of staple foods. This weakened the primary control for channeling food coupon use to staple foods needed for an economical, nutritious diet. We recommended that the Service establish specific criteria for authorizing retailers to accept food coupons. We also pointed out that there was a need for the Service to conduct better monitoring and more timely and effective investigation and resolution of suspected retailer violations.

During recent field work on an ongoing review of the Service's authorization and oversight of retail stores participating in the Food Stamp Program, we noted that the Service had authorized, as of July 1984, about 230,000 retailers to accept food coupons from program participants. Service statistics show that less than half of these retailers were supermarkets or grocery stores—the kind of store that is likely to offer a full line or wide selection of staple foods from the four basic food groups recognized by the Service as constituting a nutritious diet—milk and other dairy products; meat, poultry, and fish; fruits and vegetables; and bread, cereals, and other grain products. However, these full-line grocery stores, served most of the food stamp participants and accounted for over 85 percent of all food coupon redemption. About 102,000 retailers were categorized as convenience, specialty, and combination stores, including firms with small food sections whose primary business is the sale of ineligible items like gasoline, liquor, or prepared hot foods. In many of the immediate areas where these types of firms were located, there are full-line grocery stores that can meet the program participants' total nutritional needs. The Service has a staff of about 50 to investigate the activities of the 230,000 retailers, or about an average of 1 investigator per 4,600 retailers.

Current legislative criteria for authorizing retailers to participate in the program are included in the Food Stamp Act of

\(^3\)Regulations of Retailers Authorized to Accept Food Stamps Should Be Strengthened (GAO/CED-78-183, Dec. 28, 1978).
1977, as amended. The act provides for authorizing only those firms whose participation will effectuate the purposes of the program and requires USDA, in its authorization determinations, to consider, among such other factors as may be appropriate: (1) the nature and extent of the applicant's food business, (2) the volume of food stamp business the applicant may reasonably be expected to do, and (3) the business integrity and reputation of the applicant. The act defines a retail food store as an establishment with over 50 percent of its food sales consisting of staple food items for home preparation and consumption. Places such as gasolinestations that regularly stock food items as a recognized separate department, have not necessarily been disqualified from participation under this definition of a retail store. Several proposals to tighten the qualifying criteria for retail stores have since been introduced but not enacted.

What needs to be considered?

--Should the number and type of retailers authorized to accept food coupons be limited to better ensure that the nutritional objective of the Food Stamp Program is achieved?

--Would legislative tightening of authorization criteria or total vesting of authorization authority in USDA help in limiting the number and type of authorized retailers to those needed to effectuate the Food Stamp Program's nutritional objective without unduly inconveniencing participants?

PURCHASE REQUIREMENT

Prior to 1979, food stamp participants were required to pay a portion of their net monthly income in order to receive benefits. Each participating household got a full month's food coupon allotment for its household size and paid a portion of the household's countable income to the program at the time it received its food coupons. The program benefit was the difference between the household's payment (purchase requirement) and the value of the total food stamp allotment received. For example, a full four-person allotment of $264 a month would have been available without cost to a four-person household with little or no countable income; but a four-person household with $400 in countable income would have had to put up $120 of its own cash (30 percent of its net income) in order to receive the $264 of food coupons—thus benefiting from the $144 difference in food purchasing power. Since 1979, the same four-person, $400-a-month household simply receives the $144 benefit and is assumed to spend on food what it would have put up as a purchase requirement, thus having the same total food purchasing power as when the purchase requirement was in effect.

Eliminating the purchase requirement was intended to, and did, increase participation in the program by granting benefits to
eligible households that could not, or chose not to, buy food stamps. Proponents of eliminating the requirement saw it as removing an artificial barrier to participation by those in need. However, opponents saw the purchase requirement as a way of maintaining the nutritional orientation of the program and limiting assistance to those among the income-eligible who were really in need and were willing to commit some of their own income to food purchases.

A major advantage of eliminating the purchase requirement was not having to account for food stamp receipts to ensure that all money collected by food coupon issuance offices was properly deposited in the U.S. Treasury. A disadvantage was that participating households no longer had to commit a stipulated part of their income for the purchase of food. The household's cash that previously was used to purchase food coupons could then be used for any purpose. Thus, the Food Stamp Program has become more of an income-supplement program than a nutrition program.

Past efforts to address the concern

In April 1981 we commented on proposed legislation (S. 884) that included a provision to reinstate the purchase requirement. We reported that, with elimination of the requirement, the Food Stamp Program no longer required households to set aside cash or resources to be used for obtaining nutritious diets. Instead, the program supplemented households' income and assumed that they would use a combination of their food coupons and an appropriate amount of their income for food purchases. We also stated that elimination of the requirement was partially responsible for the increase in program participation and the resulting steep escalation of program cost, and that reinstatement of the requirement could be expected to help control and possibly reduce program cost to the extent that some households would choose not to participate or apply. In 1982 CBO reported on the impact of Food Stamp Program legislative changes and attributed 70 to 80 percent of the program's growth between 1979 and 1981 to the elimination of the purchase requirement.

We also pointed out in 1981 that if the purchase requirement were restored, USDA would again have to establish procedures to control the large amounts of cash that would be flowing into food coupon issuance offices. Also, because households would receive the full value of their Thrifty Food Plan allotment in coupons, substantially more food coupons would have to be printed, shipped, redeemed, and eventually destroyed. Thus, additional administrative cost would result, but might be offset by the slower growth in overall program cost.

4Comments on Proposed Legislation (S. 884) to the Chairman, Senate Committee on Agriculture, Nutrition, and Forestry (GAO/CED-1-152, April 29, 1981).
A bill (S.1727) introduced in 1983 included a provision to reinstate the purchase requirement. According to CRS, interest in reinstating the purchase requirement resulted from congressional concerns that guarantees no longer existed that participating households were spending any of their income on food. As a result, there was no assurance that participating households were purchasing as much food as they were prior to the elimination of the requirement. This concern was reinforced by the President's Task Force on Food Assistance, which reported that the elimination of the purchase requirement not only made it easier for families to direct available cash income to buy goods other than food, but also likely contributed to participants' complaints that their food coupons run out before the end of the month.

What needs to be considered?

--- What impact would reinstatement of the purchase requirement have on program participation?

--- Would reinstatement better ensure that households budget a proper share of their incomes for the purchase of food?

--- Would the food budget aspects inherent in a purchase requirement outweigh the added administrative cost and money-management responsibilities that would result?

NUTRITION PROVIDED BY USDA's THRIFTY FOOD PLAN

USDA's Thrifty Food Plan is the basis for determining the dollar value of food stamp benefits. USDA believes the Thrifty Food Plan can enable low-income households to buy and use food to serve nutritious, low-cost meals and snacks. However, some policy-makers and others have questioned whether households generally are able to obtain a nutritionally adequate diet under the plan.

Past efforts to address the concern

Some food and nutrition advocacy organizations have issued statements criticizing the adequacy of the Thrifty Food Plan—contending that it has nutritional problems and other weaknesses such as allowing for only a small amount of waste and not considering some states' food sales tax.

In contrast, the President's Task Force on Food Assistance evaluated the nutritional adequacy of the Thrifty Food Plan and found that it met the basic nutritional needs of low-income households. It noted that, by carefully budgeting and preparing food, a household could have an adequate diet under the plan.
Recently, there has been some congressional interest in reviewing the appropriateness of using the Thrifty Food Plan as a basis for determining food stamp benefits. H.R. 5151, introduced in 1984 but not enacted, included a provision for evaluating the adequacy of the Thrifty Food Plan as part of an overall review of food stamp benefit levels to determine if legislative changes are needed. According to the House Committee on Agriculture report (98-782) on the bill, the Committee wanted the review to include an analysis of the nutritional needs of special groups such as the elderly, the cost of foods in inner cities and rural areas without ready access to supermarkets, the impact of state sales taxes on the purchasing power of food stamp allotments, the economies-of-scale and household composition factors used in determining food stamp allotments, and the quality of food stamp households' diets.

Over the years, USDA has made efforts to inform food stamp participants about good nutrition so that they can purchase and prepare nutritious meals for their families within the constraints of a food stamp budget. USDA has been involved with a number of workshops and other initiatives to help stretch food-buying resources and has developed menu plans and recipes showing how, with careful buying, low-income households can eat nutritious, well-balanced meals within a food stamp budget.

What needs to be considered?

--Does the Thrifty Food Plan need to be evaluated to determine if it provides an adequate basis for determining the amount of benefits households should receive to meet their nutritional needs?

BASIS FOR THRIFTY FOOD PLAN ALLOCATIONS

Maximum monthly food stamp benefits are based on the USDA's annually adjusted cost of feeding a model four-person household as set out in the Thrifty Food Plan. This benefit level, after adjustments for net household income and the number of persons in the household, is intended to be sufficient for obtaining a low-cost, nutritionally adequate diet. The model four-person household was developed by USDA in 1971. However, we have reported that this model does not reflect the composition and nutritional needs of today's average participating household, and the federal government may be issuing more food stamp benefits than it would be if benefits were more nearly based on the actual age, sex, and size of participating households.

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Past efforts to address the concern

In our June 1978 report\(^6\) we pointed out that the uniform allotment system in the Food Stamp Program equals the food costs in the Thrifty Food Plan only in the relatively infrequent cases where a household's composition happens to be identical to the model household on which the benefit structure is based. Thus, some households, such as those consisting of a mother and three young children, would get benefits above their Thrifty Food Plan costs, while benefits for others, such as a five-person household in which the children were all teenage boys, would not be sufficient to provide a nutritionally adequate diet. We noted in our report that, based on USDA nationwide studies available at the time, food stamp allotments alone covered as much as 164 percent and as little as 82 percent of the cost of a Thrifty Food Plan diet, depending on the ages and sexes of household members.

We recommended that USDA establish demonstration projects to evaluate a system of providing food stamp benefits based on the nutritional needs of each household's members. If these projects showed the administrative feasibility of an individualized benefit system, we recommended that the Congress authorize the Secretary of Agriculture to implement such a system nationwide. USDA disagreed with our recommendation principally because it perceived higher administrative cost and more program errors. However, USDA did not provide us with any precise, quantitative estimates of the increased administrative cost or error if allotments were individualized and has not conducted any such demonstration projects. We continue to believe that the recommendation has merit.

During the past 4 years, legislative proposals have been introduced, but not enacted, to establish an individualized food stamp benefit system. These proposals would have based benefit levels on participants' age and sex characteristics instead of the model four-person household. In April 1983 the Grace Commission recommended that USDA include age and sex characteristics in the Thrifty Food Plan's annual update. The Commission's recommendation would have based the maximum monthly food stamp allotment on the cost of feeding four "average" participants. The Commission estimated that this change would save over $1 billion in fiscal year 1984 and almost $3.5 billion over a 3-year period ending with fiscal year 1986.

The Grace Commission's recommendation would result in savings, but it would not remedy existing inequities in the program benefit structure as discussed above. Both USDA's existing and

the Grace Commission's proposed formats involve standard allotments. Consequently, some households would still be receiving more benefits and others less than they otherwise would if the specific nutritional needs of the individual members of participating households were considered. Moreover, an individualized benefit approach has the potential of achieving savings of the same magnitude as the Grace Commission's recommended approach, but has the favorable impact of eliminating the inequities inherent in a standard allotment system.

Any changes in the method of calculating benefits using other than the model four-person household would require a legislative amendment. If the law were amended in line with the Grace Commission recommendations, USDA could implement the changes because USDA routinely updates its data on prior year participants' age and sex characteristics—information needed to calculate what it would cost to feed a household comprised of "average" participants. USDA said that it would need to make further analyses before proceeding with the Commission's recommendation. It noted that implementing the recommendation would increase the proportion of participant households that would receive less benefits than considered adequate by USDA's dietary guidelines and current food cost, and decrease the proportion that would receive more benefits.

Action that remains to be taken on our prior recommendations

--The Secretary of Agriculture should establish demonstration projects to evaluate the increased administrative cost and error, if any, that would result from an individualized system of food stamp allotments.

--If the demonstration projects show individualized allotments to be administratively feasible, then Congress should authorize the Secretary of Agriculture to implement individualized food stamp allotments nationwide.

What needs to be considered?

--Should USDA be required to act on the Grace Commission's recommendation of basing updated food stamp allotments on the cost of feeding four average participants?

THRIFTY FOOD PLAN'S ECONOMIES-OF-SCALE FACTORS

Under USDA's Thrifty Food Plan, benefits for different size households, other than the model four-person household, are determined according to an economies-of-scale formula that allows for the differences between large and small households in the per-person costs and use of food. The economies-of-scale adjustment, which was first established by the Food Stamp Act of 1977, is based on USDA research that showed that larger households
generally buy food in larger quantities at lower unit cost and experience less spoilage and discard.

Using data from its 1965 Nationwide Food Consumption Survey, USDA established economies-of-scale factors that established food cost per person ranging from 120 percent of the cost for the model four-person household (for a one-person household) to 90 percent (for a household with seven or more persons). In 1983 the Grace Commission concluded that USDA's factors were inappropriate and recommended that they be revised.

Past efforts to address the concern

Based on its review of the assumptions and methods USDA used to determine the economies-of-scale factors, the Grace Commission noted that the factors were outdated and recommended revised factors ranging from 109 percent for a one-person household to 97 percent for a household with seven or more persons. The Commission stated that, by using such revised factors, benefits for most food stamp households would be reduced and savings to the federal government would be an estimated $835 million for a 3-year period ending with fiscal year 1986.

USDA has acknowledged that its formula for determining economies-of-scale factors should be revised and has initiated research to do this. Although the Grace Commission recommended that USDA immediately issue regulations to revise the formula, USDA has said that it plans not to do so until its research is completed. The Congress has agreed with USDA's position. The committee reports accompanying the House and Senate versions of the fiscal year 1985 appropriations bill for the Food Stamp Program (H.R. 5473) directed that USDA not change the economies-of-scale formula by regulation and that USDA await legislative consideration of the issue. Further, in House Report 98-782, the Committee on Agriculture stated that USDA should make no changes in the economies-of-scale formula pending completion of a review of food stamp allotment levels.

In our 1984 analysis of the Grace Commissions' recommendations, we agreed with the Commission position that the economies-of-scale formula may be outdated and pointed out that the research being conducted by USDA should provide the information necessary to develop an accurate and equitable formula.

What needs to be considered or done?

--When will USDA complete its research and be ready to adjust the Thrifty Food Plan's economies-of-scale factors?

--Should Congress allow USDA to adjust the economies-of-scale factors according to the results of its research or does the Congress want to continue to be involved in the decision-making process?
CHAPTER 5

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

Over the past 40 years, the Congress has established a variety of programs to provide assistance to low-income Americans. Today, 11 federal domestic programs provide food assistance and two programs, AFDC and SSI, provide recipients with money for basic needs, including food. In fiscal year 1984, USDA's domestic food assistance programs cost the federal government approximately $17.7 billion and the AFDC and SSI Programs about $15.8 billion.

Although some of the assistance programs are aimed at specific categories of people, such as students, the young, or the old and disabled, they are all designed to help low-income Americans meet their basic needs. The 13 programs involved are listed below; a description of each is provided in appendices II and III.

--Food Stamp Program
--National School Lunch Program
--Special Supplemental Food Program for Women, Infants, and Children (WIC)
--Nutritional Assistance Grant (Puerto Rico)
--School Breakfast Program
--Child Care Food Program
--Food Donations Program
--Summer Food Service Program
--Commodity Supplemental Food Program
--Special Milk Program
--Temporary Emergency Food Assistance Program
--AFDC Program
--SSI Program

These assistance programs interrelate—their basic goals are similar and households can, and often do, receive benefits from more than one of these programs simultaneously. The piecemeal authorization and rapid growth of food assistance programs have created a need and an opportunity to examine and consider the programs' interrelationships and overall effectiveness in providing food assistance.

The differing and complex requirements of these programs affect how effectively they interrelate to provide an overall safety net for needy people. Each program is based on separate authorizing legislation and regulations, and the management and operating roles of the federal, state, and local agencies involved in running the programs vary by program and state. The inconsistent administrative rules, funding systems, and operating demands have resulted in inefficiencies and losses. The inconsistencies also have added to the confusion of program administrators, as well as program participants, and those potentially eligible to
participate. For example, state welfare workers report that having different rules and regulations between the Food Stamp and AFDC Programs increases the possibility of making errors.

In attempting to clarify the interrelationships among these assistance programs, congressional concerns might focus on the following two issues:

--Should benefits from other assistance programs be included in food stamp eligibility and benefit determinations?

--What can or should be done to eliminate the inconsistencies in eligibility and administrative requirements among food and income assistance programs?

BENEFITS FROM OTHER ASSISTANCE PROGRAMS

Multiple participation is specifically sanctioned in the legislation authorizing most food assistance programs, and food stamp households frequently participate in other federal food or cash assistance programs. For example, the AFDC Program contributes to the income of some 40 percent of food stamp households; SSI payments are made to 20 percent of food stamp households; and many households whose members receive free or reduced-price school meals, summer food service, child care feeding, or WIC benefits also receive food stamp benefits.

Although AFDC and SSI benefits are included as income in determining households' eligibility for the Food Stamp Program, benefits from other assistance programs are not. For example, benefits received from programs providing free or reduced-price school lunches or breakfasts are not included in the income computation for determining food stamp eligibility. This has led to some congressional concern regarding the effects of multiple participation in food assistance programs and whether the overlaps in coverage among these programs should be considered in food stamp eligibility and benefit-level determinations. A related question concerns the exclusion of benefits such as housing assistance or allowances in determining food stamp eligibility.

Past efforts to address the concern

In 1978 we issued a report analyzing, among other things, multiple participation in food assistance programs. We found that some low-income families participated simultaneously in as many as six federal programs providing food assistance. By simultaneously participating in several food assistance programs, some households could receive more in food benefits than the average amounts

American families of comparable size spend for food. We concluded that these duplicate benefits and benefit gaps resulted from the absence of an explicit, uniform, and coordinated national policy on the appropriate level of federal food assistance benefits to Americans.

We also noted in our report that multiple participation had resulted in some households receiving more in food benefits than would be called for under USDA's dietary guidelines. Benefit amounts in sample cases we reviewed ranged from 104 percent to 192 percent of the amount a household would need to purchase a Thrifty Food Plan diet. In our analysis, we compared the Thrifty Food Plan cost for a particular household with the federal benefits received. No part of a household's earned income or other resources was counted even though benefits under the Food Stamp Program 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 the Food Stamp, AFDC, School Lunch, and School Breakfast Programs. A typical benefit overlap involved food stamp and school lunch benefits. Using data from the Bureau of Census Current Population Survey, the President's Task Force on Food Assistance found that in 1982, approximately 76 percent of food stamp households with children age 5 to 18 also were receiving free or reduced-price school lunches.

In 1981 testimony before the Senate Committee on Agriculture, Nutrition, and Forestry and the House Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition (Committee on Agriculture), we noted that the benefit overlap between the Food Stamp and School Lunch Programs would be about $566 million a year. Using more current participation data would change this overlap amount. Our computation was 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. Calculations of potential savings from offsetting school lunch benefits against food stamp benefits could differ depending on the approach used.

In 1980, CBO issued a report on reducing the federal budget. Included in the report was a discussion of savings that could be achieved through modifications in child nutrition programs, including ending the duplication of school lunch and food stamp assistance being provided.

In 1981 the President's budget proposals included a change intended to eliminate the duplicative benefits received by food stamp households that included students receiving free school lunches. According to a former administrator of the Food and Nutrition Service, the change was intended to provide a budget savings of $520 million by reducing food stamp benefits for households that had students receiving free school lunches. It was argued that the Thrifty Food Plan used to establish food stamp
benefits was designed to cover all meals for household members, and that free school lunches therefore duplicated some of the benefits already being provided. Congress did not enact the proposal.

In 1983, the Grace Commission recommended that the federal government eliminate the overlap in benefits between the Food Stamp and School Lunch Programs, as well as between the Food Stamp and other Child Nutrition Programs such as School Breakfast, Child Care Food, and the Summer Food Service Programs. We agreed that both of these proposals had merit and should be examined further. In fact, in our 1978 report we recommended that USDA study the feasibility of considering food benefits from child feeding programs in determining food stamp eligibility and benefits, and that the Congress, on the basis of such a study, eliminate duplicative benefits.

In examining the Grace Commission's 1983 report, we estimated that savings under the Commission's approach for eliminating the overlap between the Food Stamp and School Lunch Programs would be about $400 million annually. There are alternative approaches, as discussed in our June 1978 report, that could result in different savings amounts. Necessary data were not available for us to estimate the amount of savings that could result from eliminating overlaps between the Food Stamp and other Child Nutrition Programs.

Representatives of some public interest groups disagreed that overlapping benefits are a problem and said that reducing or eliminating program overlaps would decrease already inadequate benefits. They said that, even after receiving benefits from several programs, many people do not have adequate diets.

USDA has not conducted the feasibility study we recommended and does not have any plans to do so. It disagreed with our position and maintained that eliminating overlaps would produce too many administrative problems and costs. For example, USDA maintains that it is difficult to determine how many school lunches or breakfasts a particular child ate in a given month. USDA also argues that it is inappropriate to attempt to adjust Thrifty Food Plan costs to cover lunches or breakfasts eaten outside the home. The amount allowed in the cost of the Thrifty Food Plan for one lunch would not be sufficient to purchase a school lunch in most areas.

Regarding benefits from other programs, we reported\(^2\) in 1983 that, of the military families eligible to receive food stamps, most were eligible because part of their pay--government-furnished housing--is not counted as income. In contrast, cash allowances for housing are counted as income for food stamp purposes. We

\(^2\)Small Percentage of Military Families Eligible for Food Stamps (GAO/PPCD-83-25, April 19, 1983).
recommended that all components of military pay, including
government-furnished housing, be included as income in determining
eligibility for the Food Stamp Program. This would result in sav-
ings in the Food Stamp Program and more equitable treatment of all
military personnel—those living on base as well as off base.
USDA agreed to consider the possibility of counting military hous-
ing in determining food stamp eligibility, but noted that the Food
Stamp Program's present treatment of military housing benefits is
consistent with the treatment of all other benefits, such as
housing assistance to low-income households.

Actions that remain to be taken
on our prior recommendations

--The Congress should require USDA to conduct a study to
determine the feasibility of considering benefits from
other food assistance programs in determining food stamp
eligibility and benefits and, if the study proves the
proposal to be feasible, eliminate the receipt of duplica-
tive food assistance benefits.

--The Congress should approve an explicit national policy on
the appropriate levels of food assistance to be provided to
needy households by the federal government.

--The Secretary of Agriculture should propose legislation to
amend 7 U.S.C. 2014(d) to require that government-furnished
housing be included in the gross-income computation for
determining food stamp eligibility.

What needs to be considered?

--Should benefits from other assistance programs be con-
sidered as income in determining Food Stamp Program income
eligibility?

INCONSISTENCIES IN ELIGIBILITY AND
ADMINISTRATIVE REQUIREMENTS

Fragmented authority over program policy and administration
has created significant inconsistencies among the food assistance
and other income assistance programs. Domestic food assistance
programs are administered by USDA. The Senate Committee on Agri-
culture, Nutrition, and Forestry has legislative and oversight
responsibility for the Food Stamp and Child Nutrition Programs,
while in the House jurisdiction is shared between the Committee on
Agriculture (Food Stamp Program) and the Committee on Education
and Labor (Child Nutrition Programs). The AFDC and SSI Programs
are administered by HHS and are under the jurisdiction of the
Senate Committee on Finance and the House Committee on Ways and
Means. In a May 1982 report we noted that these congressional committees and their subcommittees, as well as the federal agencies responsible for planning and managing the programs, must operate within the limits of their particular jurisdictions, and each has its own priorities and procedures. Each program, for the most part, is managed as a separate entity, generally with little coordination among programs.

Although the food and income assistance programs have some similar technical features, such as eligibility factors and benefit structures, inconsistencies occur because the specifics of these features differ from program to program. For example, the Food Stamp, AFDC, and SSI Programs have different income eligibility standards and different income exclusions and deductions. Although all these programs are either totally or partially directed to the needy, no uniform criteria exist for determining who is "needy."

Having to apply many different program rules and regulations increases the possibility that state welfare workers who implement the various programs will make errors. For example, as we reported in our May 1982 report, the Texas Department of Human Resources said that having different rules and regulations between the AFDC and Food Stamp Programs (1) required eligibility workers to know and apply different sets of criteria, (2) created the potential for misapplying rules and regulations and making errors, (3) caused duplication of effort and increased paperwork burdens, and (4) contributed to frustration, low morale, and high staff turnover.

Past efforts to address the concern

In our 1978 report assessing federal domestic food assistance programs, we identified inconsistencies among the Food Stamp, AFDC, SSI, and other programs involving differences in income eligibility criteria, asset criteria, income exclusions and deductions, certification and accounting periods, and eligibility verification requirements. We recommended that USDA and other involved departments or agencies propose consistent program eligibility criteria, study the effects this would have on the programs, and report the results to the Congress for action.

In 1980 a report was issued on a joint effort by four states to study the feasibility and impact of developing standard operating terms, definitions, and rules to determine applicants' eligibility for the following human services programs: Food Stamps,

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3Federal Efforts to Simplify the Aid to Families With Dependent Children, Medicaid, and Food Stamp Program Requirements and Quality Control Procedures (GAO/HRD-82-72, May 18, 1982).

AFDC, SSI, Title XX of the Social Security Act, Comprehensive Employment and Training Act, and Section 8 Low-Income Housing Assistance. The study, called The Intergovernmental Eligibility Simplification Project, concluded that it was feasible to use the same definition, valuation, and computation for each item of income and resources as applied in each of these programs. Such standardization was envisioned as enabling a person applying for these programs to have his or her financial information treated in the same manner, rather than being subject to the complex variations found among the programs. According to the report, standardization "offers the potential for reduction in error rates and administrative costs."

In our May 1982 report, we noted that numerous studies had examined and discussed the U.S. welfare system and had characterized the programs involved, including the Food Stamp, AFDC, and Medicaid Programs, as too profuse, complex, fragmented, duplicative, and inefficient and costly to administer. One of these studies involved an interdepartmental review of the federal policies and administrative processes for determining applicant eligibility for major public assistance programs. A 1980 OMB report on that study recommended changes to reduce the conflicting and duplicative eligibility requirements for seven assistance programs: AFDC, Food Stamps, SSI, Medicaid, Comprehensive Employment and Training Act, Title XX of the Social Security Act, and Section 8 Low-Income Housing Assistance.

The four previous administrations have introduced major welfare reform proposals. One of these proposals would have abolished the Food Stamp, AFDC, and SSI Programs and authorized a program providing, among other things, a cash income floor. None of the proposals were enacted. Other federal initiatives to improve program administration and reduce costs, such as the Omnibus Budget Reconciliation Act of 1981 and the Food Stamp Amendments of 1979, for the most part, concerned individual programs and did not address major differences among the various assistance programs.

One area where some progress has been made is in recent initiatives to reduce duplicative reporting requirements. In 1980 the Congress passed the Paperwork Reduction Act, which requires federal agencies to collect information with a minimum burden on respondents and to eliminate unnecessary duplicative reporting requirements. Executive Order 12291, signed February 17, 1981, requires federal agencies to reduce burdens imposed on the public by federal regulations and to minimize duplication and conflict in existing and future regulations and paperwork requirements.

In response to a January 1982 request by the Secretary of HHS, officials of the AFDC, Medicaid, and Food Stamp Programs

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began working to eliminate administrative differences in the programs' rules and regulations in an attempt to simplify eligibility requirements and procedures. On February 19, 1985, the agencies issued a notice of intent to propose rulemaking. The notice solicits public suggestions for changes that could make the programs more compatible.

In a February 1984 report we discussed the effect of inconsistent income and asset criteria for determining applicants' AFDC and Food Stamp Program eligibility and benefits. We reported that administrative costs and payment errors in these programs increased because each program used different financial criteria. We estimated that up to $6 million in annual administrative costs could be saved by using uniform financial measurement criteria for both programs at the 15 offices included in our review.

Although some work has been done to make public assistance programs more uniform, there are still numerous inconsistencies in program requirements that need to be eliminated. The National Governor's Association in its 1983 Policy Positions Report recommended that the federal government remove the inconsistencies in eligibility and administrative requirements among the food and income assistance programs.

USDA representatives point out that since the programs are targeted to different groups, the rules for one program may not be appropriate for another. In making the programs consistent, the Congress would need to consider the effect on the participant and the cost to restructure and implement the reforms.

**Actions that remain to be taken on our prior recommendations**

--- USDA should propose consistent income and asset eligibility requirements and procedures for appropriate food assistance programs; study the effects of such requirements and procedures on program costs, participation, and work incentives; and report the results of this study to Congress.

--- On the basis of USDA and other studies regarding consistent income and asset program standards, Congress should establish consistent eligibility criteria and administrative requirements for federal food assistance programs.

**What needs to be considered?**

--- To what extent has the work begun at the request of the Secretary of HHS in 1982 already addressed concerns about eligibility and other inconsistencies among the Food Stamp, AFDC, SSI, and other assistance programs?

CHAPTER 6
CONCERNS ABOUT FOOD STAMP PROGRAM

COVERAGE AND ELIGIBILITY

Research conducted by private organizations and USDA, as well as the President's Task Force on Food Assistance, indicates that many low-income households are not participating in the Food Stamp Program. Some may simply choose not to apply, some may be uninformed about the program and its eligibility requirements, and others may assume they do not or may not qualify because of their asset holdings. Additionally, several public interest groups have said that the homeless are often not receiving food stamp benefits.

Our discussions with USDA officials, representatives of public interest groups, and congressional committee staffs regarding the adequacy of program coverage centered on the following three concerns:

---Why are potentially eligible people not participating in the Food Stamp Program?

---Should the criteria for determining who is needy and eligible to receive food stamp benefits be changed?

---Can the food needs of homeless people be better addressed?

NONPARTICIPATION IN THE FOOD STAMP PROGRAM

According to a USDA estimate, two-thirds of all persons eligible for food stamps participate in the Food Stamp Program. This means that about 10 million Americans poor enough to receive food stamps may not be receiving them.

In analyzing this issue, the President's Task Force on Food Assistance concluded that a large number of eligible individuals did not participate, and that a good deal of that nonparticipation occurred in less-needy families. However, according to a 1983 report by the Center on Budget and Policy Priorities on research conducted regarding nonparticipation, in 1983 about five million of the nonparticipants had gross incomes below the poverty line and the other five million had gross incomes above the poverty line but net incomes after taxes, shelter, and medical expenses below the line.
Studies suggested to us by those we interviewed as part of our effort to identify major Food Stamp Program issues indicated that there were regular patterns in the characteristics of those eligible for, but not participating in, the Food Stamp Program. Although we have not validated the methodologies used in these studies and therefore do not know whether the conclusions are valid or projectable nationwide, the studies indicate that:

--Elderly people had lower participation rates than younger people. The Blanchard study estimated that only 48 percent of the eligible elderly received food stamp benefits in 1980 and 1981. Participation was especially low among single, elderly individuals, and the older a person was, the less likely he or she was to participate.

--The working poor were less likely to participate than those who did not work.

--Households with more children were more likely to participate.

--People in rural areas had lower participation rates than those in metropolitan areas.

--Households with a connection to the welfare system were more likely to receive food stamps than those without such a connection. For example, the Coe study estimated that participation in the Food Stamp Program by eligible AFDC recipients was 51 percentage points higher than by comparable non-AFDC recipients. The MacDonald study reported that 85 percent of food stamp families received other forms of government assistance, but 54 percent of eligible nonparticipants received no benefits from other assistance programs.

These research studies attributed nonparticipation to such factors as (1) a lack of information regarding eligibility, (2) the amount of potential aid not being enough to warrant the

time and effort to apply, (3) administrative requirements, such as complex application forms and required documentation, (4) physical access problems, such as transportation or the physical condition of the potentially eligible applicant, and (5) attitudinal factors. Regarding the last factor some households may be sensitive to the social stigma associated with receiving food assistance; others may feel that they do not need or want federal food assistance.

Of these factors both the Coe and Blanchard studies indicated that lack of information was the principal reason for nonparticipation. Coe reported that more than 40 percent of eligible nonparticipants did not believe they were eligible to participate. The study noted that other barriers to participation, such as physical access problems and attitudinal factors, were important for specific subgroups, but no other factor had the sweeping impact on nonparticipation as did poor information concerning eligibility status.

The Blanchard study analyzed why eligible elderly persons did not participate in the Food Stamp Program. This study found that 33 percent of eligible nonparticipants indicated that they did not think they were eligible for food stamps, and another 36 percent said that they did not know whether they were eligible.

Past efforts to address the concern

To increase food stamp participation, in 1974 the Congress mandated state outreach programs to inform people about the Food Stamp Program. However, analysts estimated that by the mid 1970's less than 50 percent of eligible persons were participating in the program. Partly in response to this low participation rate, the Congress passed the Food Stamp Act of 1977 that, among other changes, eliminated the purchase requirement under which participating households had to purchase their food coupons at a price less than the coupons' total face value. According to the President's Task Force on Food Assistance, USDA estimated that the elimination of the purchase requirement coupled with a weakened economy increased participation by as much as 5 million people, but that this increase was partly offset by tightened eligibility rules. In 1981, the Congress enacted amendments designed to decrease Food Stamp Program costs. Included were the elimination of mandatory outreach and a prohibition on states' use of federal funds for outreach.

In view of indications that large numbers of eligible people were not participating in the program, bills introduced in the House and Senate in 1984 contained provisions regarding Food Stamp Program outreach. One (H.R. 5151) would have permitted state outreach activities to be eligible for the normal 50 percent federal cost sharing and would have required USDA to encourage state outreach activities. Another bill (S.2607) would have allowed normal 50 percent federal funding of states' outreach activities when directed at households that include at least one member who is elderly or disabled or less than 6 years old.
In August 1984 the House passed an amended and scaled-down version of H.R. 5151 that excluded the outreach provisions. S. 2607 was referred to the Senate Committee on Agriculture, Nutrition, and Forestry. Neither bill was enacted.

What needs to be considered?

--Do study results indicating that large numbers of eligible households are not receiving food stamps benefits provide an accurate picture of program coverage and reasons for nonparticipation?

--Does the Congress believe that the extent of program coverage is a problem? Is there a minimum participation level that should be sought?

--Should an effort be made, as part of program operations, to inform potentially eligible households about the Food Stamp Program?

CRITERIA FOR DETERMINING WHO IS NEEDY AND ELIGIBLE

At hearings held in seven cities during October, November, and December 1983, individuals testified before the President's Task Force on Food Assistance that Food Stamp Program rules excluded participation by some low-income people. Generally, such exclusion was attributed to asset limitations and the 1981 legislative changes brought about by the Omnibus Budget Reconciliation Act, which tightened eligibility requirements, particularly the limit on the amount of gross income a household could have and still be eligible to participate.

Asset limitations

Eligibility for food stamps depends on a family's liquid asset holdings as well as its current monthly income. To be eligible, households may not have liquid assets valued at more than $1,500, or more than $3,000 in the case of households of two or more with an elderly member. Liquid assets do not include business assets, a household's home, personal belongings, nor up to $4,500 of the fair market value of a non-business vehicle.

The limits of $1,500 and $3,000 were established in 1971. In mid-1978 the asset limit for non-elderly households was changed to $1,750 but was changed back to $1,500 in 1980. A 1981 USDA report regarding assets of food stamp participants notes that, due to inflation, the effective asset limit decreased about 55 percent in terms of real dollars from 1971 to 1981, the latest period for which estimates were available. In terms of constant 1971 dollars, the effective asset limit in 1981 was $671 for non-elderly households and $1,343 for elderly households.
According to the 1981 USDA study, most food stamp households had few countable assets. The asset constraint was a more important factor in limiting eligibility among the elderly since they tended to have larger amounts of liquid assets than did younger households. In addition to the elderly, the President's Task Force on Food Assistance noted that asset limits affected the eligibility of people most affected by the recent recessions. The Task Force concluded that many of these people were needy even though they often had assets that excluded them from eligibility. The degree of need of households with liquid assets exceeding program limits is not clear.

Gross income cap

The Omnibus Budget Reconciliation Act of 1981 set a cap of 130 percent of the poverty line on the amount of gross income a household could have and be eligible for food stamps. Before this change, households with gross incomes well above the 130 percent level (USDA estimates as much as 200 percent of the poverty line) could participate if their allowed income deductions were large enough to reduce their net incomes below the poverty line. In determining eligibility, USDA allows for certain income deductions, including (1) an inflation-indexed standard deduction of $89 per month in fiscal year 1984, (2) 18 percent of any earned income, child care, and shelter expenses not to exceed $134 a month in fiscal year 1985, and (3) a medical deduction (if over $35 was spent for medical care) for participants who are elderly or disabled. Since enactment of the 130 percent gross income cap, concerns have been raised regarding whether this eligibility requirement excludes needy people from the Food Stamp Program.

CBO estimated in a 1983 report, Major Legislative Changes in Human Resources Programs Since January 1981, that about 1 million people, or about 4 percent of food stamp participants, lost eligibility because their gross incomes exceeded the 130 percent cap. The degree of need of households affected by the cap is not clear. According to a USDA representative, most of the people who lost eligibility were relatively less needy and, as a result, had been receiving small food stamp allotments.

Past efforts to address the concern

To help answer, among other things, the question of whether the gross income cap excluded needy households from the program, the Congress required USDA to make a study of the effect of 1981 and 1982 Food Stamp Program legislative changes. USDA issued a preliminary report in 1984 describing program changes, but the report did not attribute these changes to specific causes.

USDA's report noted that the number of potential program eligibles increased in the early 1980's because more people were below the poverty line. The poverty rates—the percentage of people with incomes below the poverty threshold, which had held steady at
12 percent from 1968 through 1979--increased to 13 percent in 1980, 14 percent in 1981, and 15 percent in 1982.

After enactment of the Omnibus Budget Reconciliation Act of 1981, household characteristics of participants changed somewhat. According to USDA, the proportion of households with earnings decreased from 20 percent to 18 percent, and the percent of food stamp households with gross incomes below the poverty line increased from 93 percent to 95 percent. In August 1982, 6 out of 10 program dollars went to households with incomes below 50 percent of poverty. USDA is expected to release 1983 data regarding characteristics of food stamp households sometime in 1985.

USDA is planning to continue its research on the effect of legislative and program changes on participants. The research will attempt to separate the effect of legislative changes from the effects of concurrent changes in related assistance programs, economic conditions, and underlying social trends.

In addition to the USDA report, the President's Task Force on Food Assistance analyzed the Bureau of the Census Current Population Survey, which provided the most up-to-date information on program participation, to see how participation had changed since enactment of the Omnibus Budget Reconciliation Act of 1981. The primary eligibility change in the act was establishment of the 130-percent gross income cap. The task force's 1984 report concluded that the act had not caused a decline in participation within the poverty population, the Food Stamp Program's primary target population. Among families with incomes above the poverty line, participation ratios declined following the act and dropped fairly substantially among individuals with incomes between 130 and 185 percent of the poverty line. (Food stamp eligibility is based on monthly income. Individuals with annual incomes in excess of 130 percent of poverty may still have been eligible for food stamps for part of the year.)

The task force also found that present program rules do not permit participation by certain low-income groups. To correct this problem, the task force recommended that the Congress raise liquid asset limits for food stamp eligibility from $1,500 to $2,250 for nonelderly households and from $3,000 to $3,500 for elderly households, and that the exemption limit for an automobile be raised from $4,500 to $5,500. The task force emphasized that its reason for increasing asset limits was to give households that lost income because of unemployment during the recession greater access to the Food Stamp Program.

Two bills (H.R. 5151 and S. 2607) introduced in 1984 proposed to increase the amount of liquid assets an eligible household could own to $2,250 for non-elderly households and $3,500 for elderly households. The bills raised the exemption limit for an automobile to $5,500. Neither bill was enacted.
We had recommended in our 1978 report\(^2\) that the Congress adopt a uniform definition of the term "needy" and establish uniform income and asset criteria, as well as allowable exclusions and deductions from countable income and assets for determining who is eligible for federal food assistance programs. Such a definition, tied in to an inflation factor if necessary, could help settle concerns as to whether truly needy people are being inappropriately excluded from federal assistance programs such as the Food Stamp Program. USDA disagreed, noting that the various assistance programs have different income and asset criteria because they are targeted at different groups of people.

Along these lines, the President's Task Force on Food Assistance recommended that the federal government explore new methods of measuring poverty and trends in poverty. According to the task force, the poverty line is intended to define a level of income sufficient to meet minimally adequate expenditures on food and nonfood items; however, the poverty line today was said to have little relationship to the economic well-being of our citizens, and in fact defies meaningful interpretation. This has occurred because the current poverty measure does not account for noncash income, such as food stamps, and does not adequately reflect the changes in prices faced by low-income consumers.

**Action that remains to be taken on our prior recommendations**

-- The Congress should develop a uniform definition of the term "needy" for purposes of determining eligibility for federal food assistance programs. Consideration should be given to making sure that Food Stamp Program eligibility criteria, including household asset and gross income limits, are kept in line with the definition of "needy."

**FOOD NEEDS OF HOMELESS PEOPLE**

Homelessness in the United States has become a more visible problem, particularly as a result of the prolonged period of high unemployment, and has caught the attention of federal legislators and policymakers. The homeless are a diverse group that includes the mentally ill, evicted families, alcoholics, drug addicts, the aged, abused spouses, and cast-off children. No precise estimates of the number of homeless exist, primarily because investigators generally count only those who use a support center's services. According to the President's Task Force on Food Assistance, it is generally agreed that a relatively small fraction of homeless people use these centers. Estimates from the Department of Housing and Urban Development, research organizations, and advocacy

groups place the number of homeless at anywhere from 250,000 to over 2 million.

Regardless of the precise number, research organizations and food advocacy groups generally agree that the homeless constitute a large group of people who need food and other assistance. Although not specifically addressed in food stamp legislation, most homeless people, by meeting income and asset eligibility criteria, are eligible for food stamps. Program regulations in effect since October 17, 1978, prohibit states from denying benefits to households without fixed addresses and prohibit the establishment of a length-of-time-in-residence requirement as a prerequisite to program eligibility.

Despite these regulations, the President's Task Force on Food Assistance heard testimony that homeless people in some areas did not have access to the Food Stamp Program even though they qualified under federal rules. According to the task force's 1984 report, the Department of Health and Human Services reported in 1983 that 19 states required recipients to have a home address to be eligible for food stamp benefits.

To address this problem, the Service in February 1984 sent letters to its regional administrators instructing them to contact state commissioners and emphasize that food stamp regulations do not require that a person have a fixed address in order to be eligible for food stamps. The Service suggested that its regions strongly encourage states to review current practices to ensure compliance with regulations. In January 1985 the Service reported to the Senate that "there is no evidence available to this Department that States are currently failing to serve eligible homeless persons who apply."

Although the Service has assured the Congress that homeless people are not automatically denied food stamp benefits, representatives of several of the public interest groups we interviewed noted that distributing food stamps to the homeless is still a problem in some states. In a December 1984 report entitled Beyond Crisis: Farm and Food Policy for Tomorrow, a coalition of 16 organizations, including farm, church, food, and consumer advocacy groups, recommended that states make provisions to extend food stamp benefits to homeless people. Staff members of the House Select Committee on Hunger noted that many homeless people are not receiving food stamp benefits and stated that the Committee plans to address the issue this year.

During our discussions, federal Food Stamp Program officials raised questions regarding whether the program was the appropriate mechanism for providing the homeless with needed food assistance. These officials pointed out that the aim of the program is to enable eligible households to purchase staple foods for home preparation and consumption. They questioned how the homeless would use food stamps, and stated that perhaps some kind of communal and/or meal-on-wheels programs would be more appropriate ways to
help feed the homeless. The coalition that authored Beyond Crisis: Farm and Food Policy for Tomorrow has recommended that the purchase of low-cost prepared meals be permitted for homeless and elderly recipients without cooking facilities.

Past efforts to address the concern

In April 1985 we reported that homelessness has been receiving increasing attention in communities across the country. Studies from cities across the country report on the growing number of people who have sought shelter from private voluntary and public agencies. Surveys have also identified an increase in the number of women and children, young adults, and mentally ill persons who have been part of the homeless population. Providing food stamps to the homeless is a complex problem involving major operating and administrative concerns. States may or may not have developed procedures and means for distributing food stamps to the homeless. Also, homeless people may not know that they are eligible for food stamps. Although the Service has sent letters telling states to eliminate barriers to the homeless population's participation, it has not developed a formal training package on this subject. According to the Service, it has suggested methods for serving the homeless when responding to policy questions in this regard.

The President's Task Force on Food Assistance concluded that it was inappropriate for states to exclude the homeless from the Food Stamp Program and recommended that individuals without fixed home addresses be assured that their homelessness would not bar them from participating in the program. Based on this recommendation, two bills introduced in 1984 (H.R. 5151 and S. 2607) both included provisions specifically barring states from requiring fixed addresses as a condition of eligibility for food stamps. The bills also required states to provide methods for certifying the eligibility of, and issuing benefits to, those without permanent residences or fixed addresses. Although neither bill was passed, the Senate Appropriations Committee, when considering the fiscal year 1985 appropriations bill for the Food Stamp Program (H.R. 5473), directed USDA to require states to develop a method for providing food stamp benefits to eligible persons who are homeless. In response to this directive, USDA reported to Congress that it has instructed the Service to "initiate the strongest possible efforts to ensure that states are stringently complying with program rules protecting the eligibility of the homeless." Although USDA maintains that states do not restrict the homeless population's access to the program, concerns for providing food assistance benefits to the homeless may resurface during discussions on the 1985 farm bill.

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What needs to be considered?

--Is the Food Stamp Program the most appropriate mechanism for providing food assistance to the homeless, or would food assistance through some kinds of communal and/or meals-on-wheels feeding arrangements be more efficient and useful?

--Do some states still have requirements that prevent the homeless from receiving food stamp benefits and, if so, what can be done to eliminate these barriers?
CHAPTER 7

AGENCY COMMENTS AND OUR EVALUATION

In a letter dated April 15, 1985 (see app. I), the Food and Nutrition Service provided formal comments on a draft of this report. The Service agreed that the report should assist congressional deliberations in reauthorizing the Food Stamp Program in 1985. It also said that the five broad issue areas we identify are a good starting point for a balanced consideration of issues affecting the program. In support of our objective, the Service provided specific comments in an attachment which we used to clarify, refine, and update material presented in the final report.

The Service said that because we have attempted very broad coverage of complex issues, the report by design is spread thin. It said that consideration of the report should be augmented by a full historical perspective, a focus on impacts on the population the program serves, and the constraints that govern decision-making in welfare programs.

We agree that the report does not provide as comprehensive a discussion of each issue and concern as is possible. As stated on page 2 of the report, our purpose in preparing the report was to provide the Congress with an overview of, and perspectives on, major Food Stamp Program issues and related areas of concern that may be discussed during its 1985 deliberations on the program's reauthorization. We believe that the report provides a sufficiently clear focus on the nature and implications of the issues discussed to facilitate congressional dialogue on the Food Stamp Program. Certainly, in such a dialogue, the Congress should consider the matters raised by the Service. In discussing a draft of the report with the Service's staff and in responding to specific comments attached to the Service's letter, we made every effort to ensure that sufficient historical perspective was provided as a background for each issue and that the specific considerations raised by the Service were recognized in the report.

The Service acknowledged our report explanation that each issue and concern in the report is discussed separately and that critical to the consideration on these issues is the interaction among them. The Service said that, beyond this, the stated objectives of some of the issues and concerns discussed in the report contradict each other. It also said that in considering these issues, their interactions and contradictions should be examined to ensure a selection of compatible alternatives.

We agree that action on some of the program considerations included in the report would obviate action on other considerations also discussed in the report. For example, using a block grant approach would obviate actions to tighten existing federal regulations or modify eligibility and benefit criteria. We believe such relationships should be discernible by those considering action on the matters involved. As the Service noted, we
have explained on page 4 of the report that each issue and concern is discussed separately even though some of them could interrelate and involve trade-offs in various areas.

Finally, the Service said that the report focuses attention on our previous recommendations on the issues and alternatives discussed. In commenting on this report, the Service did not restate its position on those recommendations because it is on record in response to the earlier work. We recognize that the Service has not always agreed with our recommendations and may not agree with some of our prior recommendations for the issues discussed in this report. We have tried to point out such areas of disagreement in the text of the report to the extent feasible.
Mr. J. Dexter Peach  
Director  
Resources, Community, and  
Economic Development Division  
U.S. General Accounting Office  
Washington, D.C. 20548  

Dear Mr. Peach:

This report responds to your letter of April 9, 1985, requesting comments on your report entitled Overview and Perspectives on the Food Stamp Program.

As your introduction states, this report should assist Congressional deliberations in reauthorization of the Food Stamp Program in 1985. The five broad areas you identify are a good starting point for a balanced consideration of issues affecting the program. In support of your objective, we offer specific comments in the attachment to clarify, refine, and update the material presented in your draft report.

Because you have attempted very broad coverage of complex issues, the report, by design, is spread thin. Consideration of this report must be augmented by a full historical perspective, focus on impacts on the population the program serves, and the constraints that govern decision-making in welfare programs.

We want to underscore your acknowledgement in the introduction that the report addresses each issue and concern separately. Critical to the consideration of these issues is the interaction among them. Beyond this, the stated objectives of some of the policies contradict each other. An example is the simplification of eligibility criteria versus an individualized application of the Thrifty Food Plan for benefit determination. In considering this set of alternatives and others, deliberation must examine these interactions and contradictions to result in the selection of compatible alternatives.

Finally, the report focuses attention to previous recommendations by your office on the issues and alternatives discussed. In commenting on the report, we have not restated the agency's position. The Agency is on record in response to the earlier work. Future deliberations will offer the opportunity and appropriate forum for further discussion.

We look forward to a constructive and open discussion of ways the Food Stamp Program might be improved.

Sincerely,

[Signature]

ROBERT E. LEARO  
Administrator
THE FOOD STAMP PROGRAM'S AUTHORIZATION AND ADMINISTRATION

The Food Stamp Program began as a group of pilot projects set up by Executive order in 1961 when the federal government began a small, experimental anti-hunger program in eight U.S. counties. Public concern had been aroused by reports of severe malnutrition in those counties and other parts of the country. That pilot program served 150,000 low-income people and cost American taxpayers $13 million the first year.

As a result of the pilot projects, today's Food Stamp Program was authorized by the Food Stamp Act of 1964, which offered states the option of operating a Food Stamp Program in lieu of existing commodity donation programs. In 1977 the Congress enacted the Food Stamp Act of 1977, which completely revamped the Food Stamp Program's operation. Since then various amendments have been enacted to improve the program and strengthen its integrity—the most recent major ones were included in the Omnibus Budget Reconciliation Acts of 1981 and 1982 and the Agriculture and Food Act of 1981, which was part of the 1981 farm bill. These three acts tightened eligibility and benefits and included several provisions to reduce fraud, waste, and abuse. According to the Service, the Deficit Reduction Act of 1984 further strengthened the requirements for verifying eligibility.

The Omnibus Budget Reconciliation Act of 1981 also replaced the Food Stamp Program in Puerto Rico with an $825 million nutritional assistance block grant. The Congress made this change because it was concerned about program costs in Puerto Rico and the adverse effect that the massive flow of food stamps may have had on Puerto Rico's economy. In 1981 benefit cost in Puerto Rico had reached about $900 million, approximately 8 percent of the Food Stamp Program's total cost. Almost 60 percent (1.8 million) of Puerto Rico's residents were receiving food stamps.

Program objectives

The Food Stamp Program is designed to help low-income households obtain more nutritious diets. Eligible applicants receive food coupons to buy food through normal market channels, primarily retail grocery stores. In addition to making food assistance available to eligible groups of people who, for one reason or another have difficulty meeting their nutritional needs themselves, the Food Stamp Program also serves as an income security program by supplementing available family income, contributes to farm and retail food sales, and reduces surplus stocks. Consequently, it bridges over to other aspects of agricultural production and marketing activities, and has degrees of commonality with most other USDA food assistance programs. Appendix III includes a brief discussion of these other programs.
Program funding

The federal government bears the cost of all food stamp benefits and shares with the states and localities 50 percent of most administrative costs. State and local costs associated with computerization and fraud control activities are eligible for 75 percent federal funding. In addition, states and localities are allowed to retain a portion of any participant-caused overissued benefits they recover. Administrative costs not borne by the federal government are shared by states and localities according to state law. Recent USDA estimates are that in fiscal year 1985 the federal government will spend about $12 billion to provide food stamp benefits and about $826 million to pay the federal share of states' administrative costs.

Federal and state responsibilities

The Food and Nutrition Service is responsible for administering and supervising the Food Stamp Program and for developing program policies, regulations, plans, procedures, and requirements and for approving state operation plans. The Service's seven regional offices provide general administrative direction to the state agencies within their respective geographic areas. Other federal involvement with the Food Stamp Program includes the Federal Reserve System, through which food stamps deposited in banks by food outlets are redeemed and converted to cash; the Treasury Department, which provides some information used by states in verifying recipients' income and assets; HHS, which provides information about participants' social security earnings that states use in verifying unearned income; and the Department of Labor, which provides states with information regarding participants' unemployment compensation benefits and assists the Service in carrying out the Food Stamp Program's work registration and job search requirements.

At the state and local levels, the Food Stamp Program is administered, along with HHS' AFDC Program, by state welfare departments. In some instances the Food Stamp Program is also administered at the local level with HHS' SSI Program. States, through their local offices, are responsible under Service-approved state operation plans for certifying households as eligible to participate in the program, determining benefit levels, and issuing food coupons to participating households. State agencies may either administer the program directly or supervise its administration by county or city welfare agencies. Both the Service and the state agencies have program monitoring responsibilities.

Each state is required to establish a quality control system to review a statistically valid sample of food stamp cases. These reviews are made continuously by each state's quality control review branch to assess whether only those who are eligible to participate are receiving benefits and whether they are receiving the
Eligibility and benefit determinations

The Secretary of Agriculture has established uniform national standards of eligibility for a household's participation in the program. Basically, all households must meet a liquid assets test and, except for those with an elderly or disabled member, must meet a two-tiered income test to be eligible for benefits. The household's monthly gross income must not exceed 130 percent of the income poverty levels set by the Office of Management and Budget, and its monthly net income (after deducting amounts for such things as medical and dependent care, shelter, utilities, and work-related expenses) must be equal to or less than 100 percent of the OMB poverty levels.

Applicant households that are certified as eligible are entitled to a specific level of benefits—generally in the form of food coupons, which are accepted by authorized food stores in exchange for food. The level of benefits is based on USDA's Thrifty Food Plan, which estimates how much it would cost a household that shops economically to meet its nutritional needs. Because a food stamp household is expected to spend 30 percent of its disposable income for food, the food stamp benefit equals the amount by which the Thrifty Food Plan exceeds 30 percent of the household's net income.
FEDERAL PROGRAMS OTHER THAN THE FOOD STAMP PROGRAM¹

THAT PROVIDE FOOD ASSISTANCE OR CASH PARTLY INTENDED FOR FOOD

National School Lunch Program: Provides cash subsidies for all school lunches in participating schools and nonprofit residential child care institutions. Students in households with income below 185 percent of poverty qualify for reduced-price lunches, and those in households below 130 percent qualify for free lunches. All lunches, including full-price lunches, are subsidized to some degree. In fiscal year 1984, about 23.5 million students participated in the program daily.

School Breakfast Program: Provides cash subsidies for free, reduced-price, and full-price breakfasts for students. Eligibility criteria are the same as for the School Lunch Program. Approximately 3.4 million children benefited from this program daily in fiscal year 1984.

Child Care Food Program: Provides funds for food service to children in approved child care centers and day care homes. An average daily attendance of almost 1 million children participated in the program in fiscal year 1984.

Summer Food Service Program: Provides funds for food service to children during school vacation. Service institutions must operate in areas where more than 50 percent of school lunches are free or reduced price. During fiscal year 1984, about 1.6 million children participated in the program each day.

Special Supplemental Food Program for Women, Infants, and Children (WIC): Provides food supplements and nutrition education designed to improve the health of pregnant and postpartum women, infants, and children. Eligibility is limited to individuals in households with gross income under 185 percent of the poverty level who are determined to be at nutritional risk by a health professional. In fiscal year 1984, average daily participation in WIC was about 3 million.

Nutrition Assistance Grant: Effective July 1, 1982, a block grant replaced the Puerto Rico Food Stamp Program. The law did not specify the methods by which Puerto Rico was to deliver the assistance. With USDA's approval, Puerto Rico established a system of providing food assistance checks, instead of food coupons, to between 1.5 and 2 million people a day.

¹See app. II for discussion of the Food Stamp Program's authorization and administration.
APPENDIX III

Food Donations Program: USDA donates food to help meet the nutritional needs of low-income households living on or near Indian reservations and in the Trust Territory of the Pacific. Participation in 1984 averaged about 114,000 persons daily. The program also provides commodities, or cash in lieu of commodities, for nutrition programs for the elderly. Low-cost, nutritionally sound meals are served in senior citizen centers and similar settings. In fiscal year 1984, about 212 million meals were served to the elderly under this program.

Commodity Supplemental Food Program: Provides federally purchased commodities and administrative funds to states that, in turn, distribute commodities to low-income pregnant, postpartum, and breastfeeding women, infants, and children residing in approved project areas. Participation in the program, which operates much like WIC, averages about 137,000 persons daily.

Special Milk Program: Helps schools and institutions provide milk to children at a low price or free of charge to encourage children to drink more milk. Participation in the Special Milk Program is limited to those schools or institutions that do not participate in a meal service program authorized by the National School Lunch or Child Nutrition Acts. About 175 million half-pints of milk a day were served under this program in fiscal year 1984.

Temporary Emergency Food Assistance Program: Distributes surplus commodities to low-income and unemployed individuals. Initiated in 1983, the Congress funded the program for $50 million from 1983 through 1986. The program is scheduled to expire on September 30, 1985.

Aid to Families With Dependent Children Program: Provides cash assistance primarily to needy families with children when one parent is continuously absent, incapacitated, or dead, as well as to needy intact families, in 23 states plus the District of Columbia and Guam, when the principal earner is unemployed. About 10 million people benefited through the program in fiscal year 1984.

Supplemental Security Income Program: Provides cash assistance to about 4 million (fiscal year 1984) needy aged, blind, or disabled persons. The federal government sets basic eligibility rules and pays a uniform basic benefit, which is supplemented by about half of the states.
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