

F 105

099965

76-0068

X



U. S. GENERAL ACCOUNTING OFFICE



099965

GAO Food Stamp Seminar
A Transcript Of The Proceedings

OSP-76-12

JAN. 28, 1976

702838

GAO FOOD STAMP SEMINAR
A Transcript of the Proceedings

C O N T E N T S

	Page
INTRODUCTION	i
GILBERT STEINER	1
JODIE ALLEN	11
BENNETT MOE	26
MORNING DISCUSSION	35
KENNETH CLARKSON	46
JOE RICHARDSON	52
AFTERNOON DISCUSSION	59

GAO FOOD STAMP SEMINAR

This document is a companion to GAO's staff study, "Identification of Food Stamp Issues", OSP-76-10. This report consists of a transcript of five views of the food stamp program presented at a one day GAO seminar on July 10, 1975.

As part of a general analysis of food issues in 1974, we noticed that the food stamp program was rapidly increasing and were concerned that an increasing segment of our population was having difficulty in obtaining adequate food. As we analyzed the implications and causes of the expanding program, it became apparent that the root causes were located in rapid food inflation, increasing unemployment, and decreasing real income. The importance of the food stamp program to meet income security objectives has taken on expanded significance in the current state of the economy.

The GAO Food Stamp Seminar was conducted to provide various expert views on the food stamp program, its purposes and its problems. As a result of the seminar and additional investigation, GAO identified the important food stamp issues discussed in detail in its staff study.

Organization

The transcript is organized as was the seminar: three presentations followed by a discussion period, then two additional presentations followed by a final discussion period. The presentations have been lightly edited by the speakers; primarily grammatical changes and the correction of some minor factual inaccuracies.

The discussion period has been more heavily edited--with some questions and answers deleted. As with any discussion period, many questions and some responses were rambling and repetitive. These sections have been tightened up to improve the flow, but not at the expense of altering the thrust of the question or the response.

Speakers

Gilbert Steiner--Mr. Steiner is Director of Governmental Studies at the Brookings Institute and has long been noted as an observer of the welfare scene, including such publications as Social Insecurities: The Politics of Welfare and The State of Welfare.

Mr. Steiner is the author of numerous other publications and is currently working on a book, The Children's Cause, a study of federal policies towards children's welfare.

Jodie Allen--Ms. Allen is Vice-President and Director of Policy Studies at Mathematica, Inc. She has directed a wide variety of projects in the field of social welfare and has done extensive exploration of food stamp reform possibilities for USDA and the Congressional Research Service.

Ms. Allen is responsible for implementation and development of a food stamp model for USDA that will allow analysis of modifications to the program.

Bennett Moe--Mr. Moe is Executive Director of the Commission to Review Public and Social Services of Los Angeles County. Mr. Moe holds this position while on leave of absence from Rohr Industries.

Mr. Moe was a member of the commission that developed California's Blueprint for National Welfare Reform and is currently directing a total management survey of the Los Angeles County Public Social Service Department.

Kenneth Clarkson--Dr. Clarkson is Professor of Economics at the Center for Studies in Law and Economics, University of Miami. Dr. Clarkson has written widely in the field of economics and has recently authored Food Stamps and Nutrition which examines the failure of the food stamp program in meeting its dual goals of increasing farm income and improving the nutritional level of its recipients.

Joe Richardson--Mr. Richardson is a social science analyst in the Education and Public Welfare section of the Congressional Research Service, Library of Congress. Mr. Richardson is responsible for handling Congressional inquiries about the program, preparing legislative background material and developing CRS issue papers.

MORNING SESSION

GILBERT STEINER

I'm not entirely sure why I won the prize (for speaking first), but so be it for whatever reasons, since I'm not, as Sam Hughes will tell you, a modest man by nature.

One of the reasons that I'm less surprised than I might be is that people who were setting this up knew that I would get off to a rousing start, that most of the crowd here will be talking about food stamp fraud, about excluding students or including students, about purchase requirements, about who should pay the certification costs, and whether the certification costs are excessive or not.

What are food stamps?

I'm not going to talk about any of those things. I think I have the privilege of beginning this show because I'm going to talk about the fact that I find food stamps to be a lousy idea to begin with.

I find them illogical, inconsistent with more fundamental public welfare policy, and I find them rather rapidly becoming an excuse for failure to tend to the complex problems of income maldistribution.

Let's begin by understanding what it is we are discussing. The food stamp program is a public relief program--federally run, noncategorical--with benefits related to income and to family size.

Its users, however, are encouraged to believe that it is not a welfare program. We are already in trouble. You will note, by the way, that on the food stamp issue paper that has been made available in the kit we all own today, the authors had some troubles deciding what kind of a program we are talking about.

The third paragraph begins "Because of the program's rapid growth and because it is a 'welfare' program * * *" which I take it means that whoever put this paper together could not himself or herself quite decide whether it was a welfare program or was not a welfare program.

And, as I suggested to you a moment ago, that, I think, is the beginning of trouble.

Query: if it is not a welfare program, what is it?
 It's not social insurance. It's certainly not a numbers game with an insured payoff. It's not roulette. It's probably a welfare program.

The related question then is whether it's desirable to disguise a welfare program so that its beneficiaries and the public are both trained to think of it as something else, although it's not clear what it is they are trained to think of it as.

And I have not made that up out of whole cloth. A couple of years ago, when I was putting together a chapter on food stamps for my welfare book, I did a nonsystematic, non-scientific, but satisfactory kind of sampling, of some people around the country who presumably were concerned about food stamps and who had attitudes and approaches toward the character of the program.

At that time, which was only a couple of years ago, the House Agriculture Committee called it a welfare program; the enabling statute called it a welfare program for the purposes of budget presentations.

On the other hand, the Director of the District Department of Public Welfare said it's not welfare in the sense that the term is usually used.

The Director of the Cambria County, Pennsylvania, Board of Assistants, whom I dug up without trouble, while delighted with food stamps, claimed that his personal opinion is that it's an agriculture program and not a welfare program.

California's then-Welfare Director said, "The food stamp program is not considered to be a welfare program."

Well, we can't have a program that in California is not considered to be a welfare program and in Cambria County, Pennsylvania, is not considered to be a welfare program, but in the House Agriculture Committee it is considered to be a welfare program, running along without some troubles.

And the troubles clearly are more than those having to do with how you characterize a particular program. It is beyond nomenclature.

It strikes me that the particular reason that it's not desirable to disguise a welfare program so that its beneficiaries and the public paying charges both think of it as something else, are encouraged to think of it as something else, the objection to that is it reduces the incentive for

people who are able to break away from the program to try to do so.

It reduces the public interest in the program, reduces the concern for and the public's ability to calculate the costs and benefits of the program, and, beyond that, it's unfair, I believe, to other welfare programs.

Moreover, if we don't know how to classify the program, how on earth can we go about evaluating it? Who will know whether it is functioning satisfactorily or whether it is meeting its objectives if we don't know whether those objectives are welfare objectives or other kinds of objectives?

In essence, I think it does not badly overstate it to raise the question as to whether we are spending \$5 or \$6 billion a year on horses or on apples and whether it doesn't make some difference as to whether they are horses or apples.

Food stamp equity

A related concern, given the definitional problem and classification problem, has to do with equity. I believe equity is a matter of considerable importance.

As long as food stamps are officially nonwelfare, the presumption is going to favor the applicant. Deductions to establish eligibility are likely to be relatively generous and, most important, use of the program is going to be encouraged, not discouraged.

I call your attention to the fact that in 40 years of categorical assistance under the Social Security Act, I think none of us, even old men like Sam Hughes, have ever seen in streetcars or buses big ads encouraging you to run down to the Welfare Office and apply for AFDC.

Food stamps, on the other hand, have become a subject of ads. We are encouraged to use USDA food coupons. I'm not against that. I believe very strongly in the desirability of redistributing America's largesse.

I do think, however, that the fundamental inequity can provoke some troubles. Moreover, if we are dealing with a nonwelfare program, as is the case apparently with food stamps in this incarnation, there is inequity in the treatment of food stamp recipients and other kinds of welfare recipients--what I call harassment to beneficiaries.

Some of you will call it careful investigation of eligibility. We don't have to quarrel about that. It comes out the same.

But what I call harassment of beneficiaries--work tests, work incentives, locator services to find fathers, and payroll deductions against deserting fathers--does not become part of the food stamp apparatus, presumably because it is not a welfare apparatus.

They are routine parts of a welfare apparatus. The point, of course, need not be overdeveloped. I like the notion of eliminating harassment. I like the notion of encouraging use of the program, rather than discouraging it.

I like relatively generous deductions. I like the presumption in favor of the applicant.

It seems to me, however, that all of these things do produce inequities for the relief client who can't or won't use these stamps, but is dependent on, if you will forgive me, honest-to-God welfare programs.

John F. Kennedy said, "Life is unfair." And, I suppose, that is one of the lessons that we must draw from this situation, but it doesn't really mean that it's a situation that has to be perpetuated and that the inequities should be shrugged off and that we should conclude, "Oh, well, we do have a multitude of programs and a multitude of purposes and we do what we can, around the edges of the one that exists."

Food stamps actually exist now, as a consequence, I believe, of a series of accidents anyway. They exist because, as some of you will remember, Paul Douglas' Depressed Areas Task Force recommended in 1960-61, just after the election and before John Kennedy's inauguration, an improved surplus food distribution program in distressed areas.

Food stamp recommendations, interestingly enough, did not come through Wilbur Cohen's Health and Social Security and Welfare Task Force. It came through Paul Douglas' Economically Depressed Areas Task Force.

The proposal had to do with a recognition that surplus foods should be distributed more satisfactorily, and the recognition that some foods not in surplus were also needed by some of West Virginia's depressed population in order to provide a minimum balanced diet.

Douglas' Task Force accordingly suggested both executive and legislative action to develop the food stamp plan, initially on a pilot basis in the areas of greatest need.

President Kennedy, while still in the Senate, had offered a food stamp bill himself in 1959. With that kind of

background, the Department of Agriculture felt impelled to move quickly to put pilot projects in place in eight areas.

And, given the fact that the President had before his election committed himself to the desirability of food stamps it comes as no particular surprise that the pilot program was judged a success.

I call your attention to the fact that the very first rationale for food stamps stemmed really from a maturation of the surplus food program and the paradox of surplus food and hungry people.

Now, however, we've come to the point where we have just hungry people, not surplus food, but we have the same food stamp program, which means that we have built on what, in essence, is a house of cards.

I'm concerned, as I suggested to you, about food stamps-- not because they're too expensive, that is to say, that the national bill is too high. I will leave that issue of cost purchase requirements to my friend Jodi Allen and others who have been laboring over this question more intensely than I.

I'm not concerned about the total bill, the \$5 or \$6 billion a year. I'm not concerned about food stamps because they do or don't improve nutrition. Mr. Clarkson will have something to say about that.

I'm concerned about them because of what I regard as a philosophical issue which translates into political, social, and psychological flaws in the program.

Political flaws

Politically I find the program flawed because it is an attempt at a target population that's identical to a pre-existing program, but has a separate administrative apparatus, a separate channel for congressional consideration, including separate Appropriations Subcommittee considerations.

I need hardly call your attention to the fact that the Department of Agriculture administrators are not chosen because of their familiarity with, sympathy for, or interest in the food stamp program, nor should they be.

Nor do members of the House and Senate Agriculture Committees aspire to membership on those committees because of their interest in and long attachment to the food stamp program. Some have developed it, but that's an accident.

The Appropriations Subcommittee and the Department of Agriculture clearly are not populated by people who have been interested through the years in the cost of food stamps.

Beyond that, however, the logic of the thing strikes me as being difficult to absorb. To separate food stamps for political consideration from the generality of public assistance programs under the Social Security Act strikes me as comparable to separating elementary education from secondary education and the consideration of education activities through the congressional apparatus.

Now some will argue that it's desirable to have things this way and, indeed, one of my most normally clear-thinking colleagues at the Brookings Institution--some years back an economist--argued to me that the multiplicity of programs increases the total transfer to the poor because it brings some political allies on board who would not otherwise be there, and because it hides from the average congressman the true magnitude of the transfer.

That is to say, that we do well keeping food stamps separate, because those dullards downtown will not become aware of the fact that they are moving \$6 billion to the low-income population through this mechanism.

On the one hand, you can place that argument on the table and see whether it can stand up against the proposition that there really is no such thing as hiding the true magnitude of the transfer, but there is only a way for policy-makers to avoid facing the fundamental question of whether their program is getting the job done or whether they have to go back to the drawing boards.

And it seems to me inescapably true that what the growth of the food stamp program has done is to make it easier for policy-makers in Ways and Means and in Finance and in OMB and in the Domestic Council to avoid facing the question of whether we can continue with what remains of public assistance under the Social Security Act, or whether they had better stay at the drawing boards.

And I am not cheered by what I understand is the diminishing importance of the Office of Income Security Program in HEW, and the many suggestions that there is no disposition to go back to the drawing board but to take things as they are.

I have a second political objection to the food stamp program; notably that it divides and thus weakens the beneficiary population politically.

BEST DOCUMENT AVAILABLE

By making food stamp users a separate and generally preferred class of welfare recipients, the totality of welfare recipients is fractured.

The needs and goals of food stamp users, based on slightly different entitlement standards, are not necessarily identical to the needs and goals of the AFDC population or the general assistance population.

As a consequence, rather than public assistance beneficiaries--whether they are food stamp beneficiaries or AFDC beneficiaries--being able to merge and to present their viewpoint, what happens is that two viewpoints are presented.

It is, if you will, the AFL-CIO and the CIO, rather than the AFL-CIO; and students of labor history will remember that the merged federation is a good deal more potent and satisfactory a spokesman for organized labor than were the two separate groups.

In this connection, I think it's noteworthy that there is no food stamp lobbyist from among the recipient group. Whatever changes occur in the program are imposed changes, likely as not to be decided upon by an OMB analyst or in response to pressure perhaps in the Community Nutrition Institute, whose people, by the way, didn't do so well when they ran the program in the last administration, or decided upon by some other surrogate lobby.

I don't believe that a program can be politically viable without participation and critical review by the target population and I call your attention to the fact, for example that we don't amend Medicare without hearing from spokesmen for the aged.

I find it unsatisfactory that we proceed to mess around with food stamps in the absence of working towards the organization of food stamp beneficiaries to present their viewpoints.

Social Flaws

I think the program is socially flawed in addition to being politically flawed--socially flawed because it is socially divisive.

The fundamental assumption of the American relief system is that security will be assured for those who cannot provide for themselves for reasons beyond their control--old age, disability, blindness, unemployment, and the death or absence of a punitive father.

BEST DOCUMENT AVAILABLE

Those categorical aspects of public assistance have been unchanged for 40 years and that system is cash-based and cash-based out of logic; the logic, of course, being that those in need for reasons beyond their own control should not be marked, but rather, once their eligibility is established, they should be indistinguishable from the generality of the population.

The proposition, of course, is that a mark is a form of social punishment and one does not impose a punishment on persons whose actions are beyond their own control.

Food stamps move in the opposite direction. They create a marked, identifiable, separate class. It's a scarlet letter marking a distinct social class of relief beneficiaries and it's a separate class that exists because of inequities in the public assistance system and inadequacies in the way it is structured, not because beneficiaries have transgressed the laws of God or the laws of man.

And now to the separate mark of the stamp. The program, under increasing stress, adds a new socially divisive element--certification delays, queues, long lines.

So we are faced with this contradiction again, presumably a nonwelfare program that people are encouraged to use, which, however, delays, establishes queues, finds it impossible to meet the demands of its population, and becomes more and more like AFDC in this connection.

Psychological flaws

Finally, I am disposed to argue that the food stamp program is psychologically flawed. The basis for the program must be that poor people don't get enough to eat.

It is not alleged that this results from the poor use of available money, but the argument goes that it results from inadequate amounts of money.

Our goal is to improve nutrition of recipients by facilitating their access to food. Now, the easiest way to get food is to go to the grocery store and buy it.

The food stamp program imposes a psychological barrier. It becomes first necessary to buy stamps, then use the stamps to buy food.

I've wondered frequently whether Eastern Airlines doesn't have something to teach us in this connection.

They sell more tickets to New York by eliminating the advance ticket purchase or reservation requirement, having concluded that that's a psychological barrier.

They sell more tickets to New York on their shuttle than American Airlines ever dreams of selling on their scheduled flights.

And it strikes me that the same proposition holds true in connection with the likely use of resources to acquire what is presumed to be a necessary element--food.

The easier it is to achieve access to it, the more likely is it to be accomplished.

If public benefit programs added cash, equal to the value of food stamps, I believe their use would increase and the same argument would hold true of the use of stamps by the working poor, if direct cash payments were substituted for stamps.

In short, psychologically, I believe, the nutrition goals of food stamps are in conflict with the impediment to natural processes inherent in the whole food stamp transaction.

Why do they persist?

I've been on good behavior and I've said nothing of administrative issues and administrative troubles. I won't, but you must allow me a footnote.

Sixty percent of stamp users are public assistance clients for whom eligibility presumably presents few problems, but 40 percent are not public assistance clients and the separate certification and verification procedures are absurd.

They're absurd because after 40 years of public assistance, we're getting a handle on certifying welfare clients, and just as we're getting a handle on how to simply certify welfare clients, we are starting all over again with a whole new set of problems of trying to simplify certification for a different group under a different set of circumstances and considerations.

Those of you who have seen the irrefutable logic and wisdom of what I've been saying for the last 15 or 20 minutes will turn to me and say, "All right, wise guy, why do food stamps persist in the face of all this?"

The answer, of course, is that food stamps persist because they do have a remarkable political staying power; a

political staying power that I believe is attributable to the marriage of stern-jawed types like Leonor Sullivan and less stern-jawed types like George McGovern.

But the wrong questions are asked on both sides about food stamps. Those who are not part of that marriage, like the Secretary of Agriculture, would be disposed to ask, why should the Department of Agriculture be saddled with the food stamp program?

And then Senator McGovern will ask, why should food stamp beneficiaries be saddled with the Department of Agriculture?

Neither seems to me to be the right question. The right question must be, why, after all, should we have a second currency that is entirely out of line with our fundamental theory of cash benefits under a public assistance program?

The only answer is that it's politically expedient to have that second currency. I think the fundamental questions to be asked are: Would it be better if the costs of turning money into food stamps and then into food and then into money again were calculated and laid out for consideration?

Would it not be better if the inequities between stamp and nonstamp users were calculated and laid out for consideration?

Would it not be better if we undertook systematic surveys on preferences between cash benefits and food stamp benefits?

In short, my message is a simple one, that food stamp benefits have become a convenience for Secretary Butz and that they provide him with an occasion for complaint about what has happened to the resources of his Department.

They are a convenience for Senator McGovern to provide him with a political platform; and they are not a convenience for the millions of beneficiaries of the program; and they are totally inconsistent, in my judgment, with everything we have been trying to do through the years in improving the character of public assistance.

That's all.

JODIE ALLEN

What I'm going to try to do is to lay out the parameters of the argument and suggest a series of possible reform alternatives which move along a spectrum from minor changes, maybe tightening up, to radical restructuring or even elimination of the program.

I think though what we have to start off, in talking about food stamps now, by realizing why we're all talking them.

Why the debate over food stamps?

A year ago no one paid any attention to the food stamp program, to speak of, except Mr. McGovern and his staffers. Now suddenly everybody is talking about it, and what has changed?

Well, what is changed is simply that the food stamp program has grown tremendously in the last year. Between April of '74 and April of '75 caseloads grew about 22 percent.

In December alone, over a million people came on the rolls and several hundred thousands have continued to come on the rolls each month since. A colleague of mine has suggested facetiously that what we may be in the middle of is a "food stampede" which might turn out to be even more exciting than the "welfare explosion" of the sixties.

It's just not who is on already that's frightening to some people, but who might come on. Most of the estimates that have been done show that even with the almost 20 million participants on the rolls now, this may be as little as a half of those who are actually eligible for the program.

And, as is always the case, a sudden growth in a program brings it to the attention that it probably always deserved. This was true of AFDC in the sixties. It was true of social services.

Now the question at this point, of course, is does it make sense to let the program go on growing in its present form? Does it make sense to serve maybe a quarter of the total population in a needs-tested, earmarked in-kind program? Or should the program be restructured? Should it be restricted? Or should it simply be abolished in favor of a cash program?

Food stamps have a wide appeal

Now as Gil has pointed out, the controversy over food stamps makes strange bedfellows. It realigns many of those who would normally be classified as simply in the liberal or conservative camp.

On the one hand, you have a large group of liberals who favor food stamps arguing that its main advantage is that it does focus on the nutrition problems of the poor. Nothing is more basic than hunger, they say, and they feel that the crusade for food stamps could turn out to be a good vehicle for creating a new unity among the poverty forces.

But the focus on food provided by the food stamp program also appeals to conservatives since recipients have to pay something for the food stamps and since presumably this assures that the money handed out goes for food and not for cars, color television, liquor, or whatever.

Now another argument put forward by those who favor the food stamps is that food stamps are preferred by many poor families themselves to cash transfers.

They argue that lower income families regard the stamps as less stigmatizing than cash welfare, and this is supported somewhat by our analyses which show that in the Midwest areas--where there is relatively low participation among eligibles in cash welfare programs--participation among food stamps is at the same levels as it is in the Northeast areas where cash welfare programs are more popular.

People also contend that purchase requirements built into the Food Stamp Program is a protection for the poor against their own poor budgeting habits and that the food stamp recipients themselves perceive this and there is again evidence to support this argument in the Gary income maintenance experiment. In that experiment many people went on buying food stamps even though there was no financial advantage to doing so; and the reason they cited for doing this was that they liked to have the assurance that the money was budgeted for food, that it was there each month, and that it wouldn't be eroded by other demands within the family.

We also did some informal sampling of our own and we found that to be true and it isn't really that surprising when you consider that many, many, middle-income Americans indulge in forced savings by overwithholding in the federal income tax. Many people do that, and for years many have participated in Christmas Clubs in which they put away savings that pay no interest at all, for the whole year, just to make sure they have the money at the end of the year.

However, I'm not going to overplay the importance of this phenomenon, but those are the arguments that are made.

Above all, of course, the argument for food stamps on the liberal side is that it is the only welfare program, aside from Social Security, which has broad political acceptability and the very rapid growth of the program stands as testimony to the fact that it is a more effective political vehicle for redistributing income than many of the proposed reforms in the cash transfer programs. But the program, of course, has more than its share of critics.

Critics

Among the critics of the more liberal tinge, opposition arises because it is felt that food stamps are inferior in terms of efficiency and equity in the way they provide for the needs of the low-income population as compared with a cash income maintenance program with similar budgetary costs.

Food stamps, it is argued, limit the choices of recipients as to how to allocate their expenditures to meet their needs. In addition, the program is inefficient because it requires a duplication of bureaucracy and because funny-money is difficult to issue, redeem, distribute, and so on.

But the most strident forces speaking out at the moment against food stamps warn that we are faced with a potential food stamp explosion--a food stampede--that will go well beyond the welfare explosion of the sixties.

Constraints to program growth are limited

I think though in this regard it is very important to realize that the methods for limiting this growth are sharply limited; not only by political pressures, but also by important considerations of program equity.

Analyses of census surveys, as I mentioned before, indicate that the total number of persons eligible for the program is about twice as large as the number of current participants and many of those nonparticipating eligibles are very poor.

Now while all of these apparent eligibles are unlikely ever to participate simply because of the transaction cost involved--it's more trouble than it's worth to them--there is obviously a lot of room for program growth no matter what we do.

The size of the food stamp population really shouldn't be surprising to anybody because the program is by contrast

with our cash welfare programs, most generous in design.

As Gil mentioned, food stamp benefits are not simply available to the preferred categories of the poor; that is, to the aged, disabled, and families with children. They are available to all the poor.

Furthermore, because of the relatively strong public support for programs designed to feed the poor, as compared with those that provide money--unrestricted cash income--it has been possible to gain congressional support for a minimum food guarantee which is far more adequate compared to middle-income patterns of consumption than those that are provided for other forms of expenditures, such as clothing and shelter.

The coupon allotment for a family of four is currently set at \$162 a month, or \$1944 annually, and this allotment is intended to cover only purchases of edible grocery items for human consumption in the home.

Now, by comparison, recently released data from the BLS Consumer Expenditure Survey indicates that the average family of four in 1972 and 1973, with an income of \$11,824, spent only \$130 a month on food, including a range of items which are not covered by food stamps, such as soap, cleaning, and paper products and so forth.

If we adjust that amount for increases in the cost of food since that time, we can estimate that the average middle-income family of four now spends about \$170 a month on food, which is only \$8 more than the minimum food guarantee established for families of their size with little or no income.

Now, since in-home food consumption normally accounts for only a small fraction of total household expenditures--the Consumer Expenditure Survey showed the average family spending only 13 percent of total income for this purpose, although BLS earmarks 26 percent of a lower income budget for in-home food--if other forms of essential consumption were subsidized at comparable levels of adequacy, we would need to have a total income guarantee of over \$7,000--maybe even \$8,000--and this, of course, is a number far beyond the range of current debate, even among people who would support a rather generous cash transfer program.

So that we've come up with a standard that is very adequate compared to what we are prepared to provide in other programs, and having established this standard of adequacy, simple equity requires that food stamp benefits be extended to a major portion of the population since it appears that many families with incomes close to the median are unable to budget comparable amounts of income for covered food items.

The very adequacy of the food stamp guarantee thus poses a dilemma for the policymaker in attempting to restrain program costs and eligibility.

On the one hand, common sense suggests and observation confirms that the great majority of middle-income Americans neither need nor want direct food assistance.

Furthermore, income-tested programs are difficult to administer. You have to verify eligibility and adjust and issue benefits on a sufficiently timely basis to meet the needs of the people with very little other income.

In the food stamp program, you have the special problems of printing, issuing, and redeeming the stamps. There are also substantial costs to the families participating in the program in terms of time and inconvenience in applying for, purchasing, and redeeming the stamps.

While these transaction costs might be justified by the social desirability of assuring adequate food consumption for the very needy, it seems less sensible to pay all these costs to service middle-income people who are really not arguably in need of direct food assistance, who themselves already make large contributions to the Federal Treasury in the form of Social Security and income taxes, and who it would seem could be much more adequately and efficiently helped by a program of tax reform. Why hand out, at a very expensive cost, a needs-tested benefit with one hand, and with the other hand make the people turn around and pay a lot of taxes? Why don't you just cut their taxes?

On the other hand, if food stamp program benefits available to the very poorest families compete very effectively with what many lower middle and middle income families are willing and able to spend for food on their own, if we deny these latter families access to the program, it's inequitable since, to put it simply, people with less income would get more than people with more income of their own and this is considered to be destructive of vertical equity and "leapfrogs people" in the income distribution.

It's destructive of work incentives and makes people mad when they go in the grocery store and they see people with food stamps buying better food than they're buying themselves.

Four considerations in solving the problems

So those are the problems. But when you go about trying to solve them you have to be very careful, and there are at least four things that you have to think about. The first,

of course, is equity, and that is that people in like circumstances, that is, with the same income and resources and needs, be treated in a like manner and that the program be equitable vertically, that benefits be tapered smoothly across income classes so that families do not experience net losses in total income as their earnings and other private income increases.

Further, that families must not be forced either to stop participating in the program or to black market their stamps because they are required to pay unreasonably high proportions of their income to purchase their coupon allotments; and that's something you have to worry about if you think about raising the purchase requirements.

Another thing to think about, of course, is target efficiency. Food stamps are a welfare program, and as long as it exists as a welfare program it makes sense that the program benefits be concentrated among the most needy households and that, subject to cost and other constraints, program benefits for the very neediest be improved.

Another thing to think about as you restructure is that there should not be many adverse effects on current participants, particularly participants in low-income households and particularly the aged, which are always a very touchy group to deal with.

Of course your last constraint is the cost constraint. You don't want, in the current situation, to propose any reform which will greatly increase the cost and it would really be nice if you could propose something that didn't cost any more than the current system and would cost less in the long run.

ALTERNATIVES

Still, even with these constraints, when you look at the current program you can come up with a lot of ideas for making it better, and there are several alternatives which seem to me worthy of consideration.

Some of them are mutually exclusive. All of them, however, view the program as a basic income maintenance program, which it is.

I mean by this that I think it is foolish to pretend that it's a food program. It is in effect a redistribution program. However, these alternatives differ in the degree to which they require a fundamental restructuring of the program, with the ultimate alternative being, of course, to cash-out the program entirely.

Computation of bonus

The most modest but I think minimum necessary reform is to change the method by which food stamp bonuses are computed.

As Gil pointed out, the food stamp program is a funny program. It's a hybrid offspring of a welfare program. In its early years emphasis was placed on assuring that people spent at least as much of their own money on food as they had spent before the program was enacted so this made purchase requirements tend to be very high, particularly for large families at any income level who had had to spend large proportions of their income on food.

Now, there has been improvement in that. In 1971 they restructured the purchase requirement schedules, which is called the Basis of Issuance Table, but it's still a peculiar thing.

At any given income level, except the very lowest, large families have to pay a higher proportion of their income for the food stamps than small families, even though they get more food stamps for this; this feature is kind of funny from the welfare point of view, since when you're looking at the total needs of those large families, they clearly have higher needs for cash for other purposes than smaller families with the same income.

The purchase requirements also jump all over the place. At this income level, you may be paying 30 percent of your income--your net income--for stamps and then all of a sudden it will drop to 26 percent and the proportion actually declines at the highest income levels covered.

There are other odd features in the program too, like the provision that makes public assistance recipients automatically eligible for at least a minimum food stamp bonus even though their incomes may be considerably higher than those of other families who are not on welfare but who are denied access to food stamp benefits.

Itemized vs standard deductions

But the impact of these inequities is totally eclipsed by a well-intentioned loophole in the food stamp regulations and this is the so-called itemized deduction.

This again comes out of the nature of the program that requires people to come up with hard cash to buy their coupon allotments. Now this turned out to be difficult for people to do--to come up with that amount of money in a lump sum--

and so over a time the program was pushed in the direction of allowing more and more deductions against accountable income for expenditures of other sorts.

At the moment, the current regulations allow the following types of expenditures to be deducted in computing countable income: income and payroll taxes; union and mandatory retirement payments; medical expenses; child care expenses; tuition and mandatory educational fees, including private school tuition; support and alimony payments; unusual expenses, even if these are ultimately reimbursable through insurance; and shelter costs, including utilities and mortgage payments in excess of 30 percent of income after all the other allowable deductions have been made.

The effect of these deductions is a very peculiar one. If one was worried about the purchase requirements being too high, the most direct response is just to lower the purchase requirements across the board.

But instead, by doing as the positive income tax has done--that is, allowing people to claim deductions for specific expenditures--the program turns out treating the better off better than the less well off, for the simple reason that only families with fair amounts of income can afford to purchase much of the deductible items. This effect shows very clearly either in tabulations made from quality control and other survey data or just from looking at the Consumer Expenditure Survey.

Expenditures on items other than food increase with income, and when you let people claim deductions for this what may actually happens is that the purchase requirements may decline as a percent of the total income as income increases.

What you're doing essentially is subsidizing other forms of consumption through a food transfer program and it just doesn't make any sense. It wasn't what was intended but that's what happens when you go out trying to deal with a problem on a case-by-case basis.

Now I think the very first thing, the very minimum thing, that you ought to do within the food stamp program at the moment is to eliminate the itemized deductions and instead to introduce a standard deduction.

The standard deduction would be worth a great deal more to the poorest families than the current itemized deductions since they don't pay as much for shelter, medicine, and schools and so forth, and this would lower purchase

requirements at the lower end of income distribution but it would raise purchase requirements at the higher covered income levels and it would curtail program eligibility somewhat.

It would at least keep off the \$11,000 or \$12,000 family which the newspapers keep picking up and advertising, which doesn't do the program any good.

Now there are a whole range of choices available in deciding how high the standard deductions ought to be, whether you ought to have a special additional deduction for the aged, how high the purchase requirement relative to income in excess of the deductions ought to be.

The Department of Agriculture has explored at least 30 variations on these features and you can take your choice as to how much money you want to spend and where you want the money to go.

These, of course, were the alternatives which were to be presented to the Congress in the June 30th report from the Department of Agriculture, but apparently because of pressure from CME the Agriculture Department was not allowed to put forth its recommendations.

Getting rid of the itemized deductions would, of course, also greatly simplify the problems of administration. Currently recipients have to come in with their receipts for post expenditures and have to project expenditures over the next period.

It's very difficult for them. It's very difficult for the administrators and actually accounts for some 40 percent of all the errors which have been detected in the quality control surveys.

Administrative efficiencies

I won't go into all the possible recommendations for the problems of administration but there are a couple worth mentioning. The first is I strongly believe that food stamps, like cash assistance, should move to a monthly reporting of income.

Experience with the income maintenance experiments shows that this is a very effective way, both of increasing responsiveness of the program to very low income people but at the same time of cutting leakage of benefits to people with high income.

HEW is currently considering mandating monthly reporting for AFDC and one might anticipate even greater savings for the food stamp program in which a much higher proportion of participating families have reportable income.

The most obvious thing about this proposal is that it's fair--it doesn't hurt the poorest people and it improves the integrity and acceptability of the program.

Another thing to do is simply to integrate the administration of the program at the local level with AFDC and SSI. At the moment recipients have to fill out two different forms, and this is silly.

About 55 percent of all food stamp recipients are getting AFDC or SSI and it seems silly that they just can't fill out one form for both programs.

Eliminate purchase requirements

Moving to more fundamental restructuring of the program, the next alternative worth considering is simply to eliminate the purchase requirement.

The idea would be simply to give eligible families the bonus value in stamps rather than require them to purchase the full allotment. Now this would move the program very much in the direction of a cash income maintenance program.

The Food Stamp allotment would become a basic guarantee and there would be a "benefit reduction rate" which serves only to taper the bonus paid out over income.

This would reduce by 40 percent the number of stamps to be issued and redeemed and eliminate agency cash handling problems, which are increasing.

It would also reduce the burden on families who have difficulties in raising the cash to meet the purchase requirement and thus it would encourage program participation among the needy.

At the same time, it would eliminate the need for the difficult to administer itemized deductions and variable purchase options.

It would also free families to use the former purchase requirement funds for nonfood items and thereby reduce black market sales of stamps, and perhaps it would promote more careful food buying.

On the other hand, against this you can argue that it would undercut the forced budgeting of a given amount for monthly food which appeals to many conservatives and to the nutritionists.

It may make food stamps look more like welfare and it might discourage participation by those who want no part of welfare handouts, and you do get that sort of sentiment.

It might also encourage program abuse to the extent that the current purchase requirement is a deterrent to abuse and I think it is. I think it is keeping away a certain number of people who would be willing to come in and take advantage of the cash program.

Relativistic definition of the coupon allotment

Now another alternative which could be combined with any of the preceding alternatives is to adopt a relativistic definition of the coupon allotment; that is, to determine coupon allotments as a function of food expenditures at the cut-off income level.

At the moment there is virtually no end to the controversy over the proper value for coupon allotments if the relevant criterion for their establishment is the assurance of a nutritionally adequate diet.

Now critics on the one hand argue that current allotments are too low because, while a careful buyer could purchase a nutritionally adequate diet with these amounts, the diet thus purchased might be unpalatable or at least not in accordance with normal American eating habits. Thus, few food stamp participants achieve nutritionally adequate diets.

On the other hand, it is argued that few Americans at any income level have nutritionally adequate diets and that food stamp recipients, like most Americans, purchase too much meat, much too much sugar products, and many too few vegetables, fresh fruits, and cereals, and increasing the allotment will not alter this pattern.

Others have observed, as I did earlier, that the coupon allotments already compete favorably with the amounts spent on in-home food by middle-income families.

Now one possible way out of this dilemma is to adopt a relative definition of program adequacy. In this approach, the assurance is provided that every family, no matter how low its income, will be able to buy as much food as families at some higher income level are purchasing without government subsidy.

Under such a plan, the Congress would simply specify an income level for each family size below which families would be provided with food subsidies.

The coupon allotment for any given family size would then be set equivalent to the average amount which government surveys show that families of that size spend on consumable groceries at the income level at which the subsidies are cut off.

The average benefit reduction rate, the amount by which the bonus is reduced at any income level below the cut-off, is analogous to the purchase requirement under the current program and is simply determined by the two parameters--the coupon allotment and the income cut-off level.

For example, if the income eligibility limit for families of four is set at \$7,000, this is tantamount to saying that the government decided everybody with income below \$7,000 needs some help in the buying of food.

Then what we do is to look and see how much other families with \$7,000 of income spend on food. Suppose that's about \$1800 a year. That's not quite right but it's close. Then the benefit reduction rate is simply \$1800 divided by \$7,000, which is about 25 percent.

So a family with zero income would get \$1800. At income levels between zero and \$7,000 families of four would receive a bonus equal to the difference between 25 percent of their income and the \$1800 coupon allotment. At \$7,000--the "break-even" point--the program would phase out naturally.

Now the nice thing about this is that it is equitable. There isn't any leapfrogging of families. You're assured that everybody below an income level gets the same amount of food as the people at that income level, but no more. Normal buying patterns of participants are not distorted.

Most importantly, an explicit judgment may be made by the Congress as to the income limit for eligibility rather than having that limit determined indirectly, as it is now, by independent decisions as to the level of coupon allotments, purchase requirements, and income deductions.

You can't even say ambiguously at the moment who is eligible to participate in the food stamp program because it depends on how much they spend for other things.

If a family goes out and buys a big house, they could go on getting food stamps for quite a long time.

Cash out food stamps

The problem with the preceding alternatives from one point of view is that they leave the food stamp program basically alone. There would still be a coupon allotment. It would still be spendable only on food and that allotment would continue to be the target of efforts by the nutrition lobby and by others who see no other vehicle to aid the poor to raise it higher and higher.

Now since it's already very high relative to what the poor are provided for other necessities, if not high by general standards of consumption, one may well question whether it makes sense to go on redistributing income under the guise of feeding the poor.

This is the fundamental weakness in trying to use one program which transfers one type of goods--in this case food--in order to accomplish major income redistribution.

Of course one answer to this weakness, which has been proposed, is to transfer more than one kind of goods. How about adding a housing allowance?

Now the idea of stamps, vouchers, has been spreading very, very rapidly. The education voucher is being tested in California. We have housing allowance experiments going on at 13 locations.

Various groups have been proposing energy or gasoline stamps and we expect every day to hear from the National Endowment for the Humanities about dancing class stamps.

Now, the trump card, of course, is to be played by another federal agency which will advocate its own type of voucher.

The United States Treasury will come forth and will propose the "stamp stamp." Now the stamp stamp of course is the voucher which can be used to purchase any other kinds of stamps.

And we think that they might call it money.

Now this is, of course, the direction one powerful group of reformers would like to move in straight away. Why not cash out food stamps? Why just keep adding more benefits hoping that nobody would notice what you're doing?

Instead, create an adequate broad-based income maintenance program. Now people have been working on trying to

consolidate and broaden the cash income maintenance system for quite a number of years, starting with President Johnson's Income Maintenance Commission which laid the groundwork for the Family Assistance Plan, which died a lingering death and more recently was revived by the HEW Welfare Reform Task Force, which last year did push its proposals right up to the White House.

And there are people now saying that the proposals may be revived, although the future is not certain.

So why not cash out? Well, there's one major problem in cashing out and that's the simple fact that a lot of people would be made worse off.

As I mentioned before, there is no cash program in the world that people would stand for that would provide eligibility for families with \$12,000, \$13,000, or \$15,000 of income.

And at the moment, this is probably not an insurmountable problem. But if something isn't done soon to restrict in kind program participation at middle-income levels, it's going to become an increasing problem because it is very difficult to propose a program which will make people worse off in any large numbers.

So that I feel that whether or not you want to cash-out food stamps, you ought to do something quickly to begin to restructure the program in such a way that it might lend itself to a cash-out.

But there are other problems with cashing out too. The perception of many, of course, is that new income maintenance programs still face strong political-philosophical resistance primarily on the issue of work incentives--if you give them money, they'll just sit on the porch and whittle.

And it's simply felt that if you--and this would include, I'd say, probably the McGovern segment--that if you press now for a conversion from food stamps to a cash transfer system, it's a foolish strategy because it seeks the ideal at the expense of the possible.

CONCLUSION

The steady, relatively unnoticed growth of food stamp expenditures has occurred because the program has wrapped itself in the banners of nutrition and agriculture, and thus far its broader function as an income redistribution program has not been widely recognized.

Income redistribution, of course, is not a very popular phrase in the American political lexicon. Senator McGovern learned this the hard way in 1972 which may be why he has retreated to his former standard of hunger-fighter.

But this is, as Gil points out, the unspoken issue in the debate on food stamps and welfare in general. Is it necessary to pretend that you're only feeding the malnourished in order to get any degree of income redistribution?

On the other hand, the trouble with building major social institutions on myths is that the myth extracts a price. In the case of food stamps, the multiple bureaucracies for eligibility determination, the sale of the stamps, the redemption of the stamps, and the potential for abuse are part of the price which you pay to garb income maintenance in the guise of hunger fighting.

Moreover, as the programs enlarge and they move more adequately towards fulfilling their true role, the mythical nature of their foundations becomes more evident and makes the program more vulnerable. I think one might end up by questioning whether in the case of food stamps should the 50 million or one in four of the population actually come in and participate, and should program costs mount to over \$10 billion or more would the efficacy of the nutritionist coloration continue to protect and sustain the program?

So I leave it on that note and I don't know the answers to all those questions.

BENNETT MOE

Yesterday I testified before the Republican Study Committee regarding welfare and food stamp reform and in the afternoon I talked with the Democratic Study Team who is working on food stamp reform and I understand there is another organization being set up in the Vice President's Office to work on food stamp reform yet I can't really find that any one of them will really become the end of it all.

I was frustrated because it seemed from a national priority standpoint that welfare reform and food stamp reform were at the very bottom and looking up on everything else, including the garbage men in New York City.

And when I come here today and hear all of the great recommendations that I was going to make already made, that seems to be rather a frustrating condition.

And I liken myself now to the guy that was so frustrated that when he threw himself to the floor in utter disgust, he missed.

Background

First of all, we'd like not to have a food stamp non-program, but we do have one. We'd like to cash it out, but we can't.

Incidentally, food stamps have been cashed out in five States on the adult programs under H.R. 1. California fortunately was one of the five and in Los Angeles County we cashed out 193,000 food stamp cases by adding \$10 to the grant, a little inequitable because only 25 or 30 percent of those people actually had previously subscribed to food stamps with the average benefit around \$10.

So there were 75 percent of the adult cases in Los Angeles County that got a little windfall. But in terms of the administrative nightmare, at least that part was over for a while.

Since then Congress has been actively trying to get food stamps reinstated (those five states) and we've been fighting it like you wouldn't believe.

To give you a little bit of perspective about Los Angeles, I think you probably visualize Los Angeles as a large city on the west coast. Naturally it is a fairly large city, with 2 1/2 million people.

But Los Angeles County is vastly different than Los Angeles City. Los Angeles County has a population of 7 million and is larger than 31 states.

There are 78 cities in Los Angeles County, and each one is an individual organization and requires individual handling.

Currently, in terms of food stamp population, in Los Angeles County after the cash-out we still had 530,000 persons receiving public assistance and food stamps.

We also have an additional 188,000 in nonpublic assistance and mixed cases--for a total of 719,000 people. These 719,000 people in April bought \$22 million worth of stamps that had a bonus value of \$12 1/2 million. Extrapolating this over a year, that gives us an approximation of \$266 million worth of stamps with a bonus value (funded entirely by the Federal Government) of \$150 million.

The administrative cost is rather a mixed bag, the public assistance cases (the 530,000 persons) the administrative cost is buried in the AFDC program so we can't figure out what it is. We try to guess as best we can.

The administrative costs for the nonassistance cases are funded 50 percent by the Federal Government and 50 percent by the county. This funding arrangement has a lot to do with the problems.

Administrative difficulties

When I showed up on the scene in Los Angeles 3 years ago, I visited all the District Offices and talked to 350 workers to find out what their problems were. They indicated that food stamps were about 25 percent of their work load but, about 50 percent of their frustration. And so we tried to find out why the frustration and determined that food stamps were a very low priority program in terms of the county's interest.

When I visited Sacramento I found a similar condition there--a very low priority program. The more I studied it, the realization came that any program that's totally federally funded, is going to have a low priority in terms of the administrative interest of the county and the State.

After we secured approval of the Board of Supervisors that the logical thing was to cash-out the program, we proposed this to Congress and failed. Then the next logical thing was to transfer it to HEW.

We visited the Department of Agriculture and proposed to Mr. Butz that it should go to HEW, and talked to Mr. Weinberger. He said, "I agree it should be with me, but buddy, I've got all I can handle right now." So we were unsuccessful in that area.

The next logical thing seemed to be to simplify it, so I accumulated half a dozen of the best brains in Los Angeles County in the area of food stamps, and we got together with some computer people and we did a computer analysis of a quarter of a million cases to see if there wasn't some way of patterning eligibility.

We were already involved in a \$20 million computer program in AFDC. We felt that if we could do this food stamp simplification job right, we could really simplify this whole operation by merging it with the new AFDC computer program.

And we, in our analysis of the computer findings, found that there was a pattern. There was a distinct segregation between what people paid for food stamps if they were working, as opposed to if they were not working; and by working we mean sufficient to change the grant.

We went a step further and isolated segments of income in hundred-dollar segments. So when we got all through we had a neat table that said if you have a family of four you can look at it, and if they were not working you can look at this table and say this is what you're going to pay for food stamps, and if you are working and your income is so many dollars a month this is what you're going to pay for food stamps.

Now we came up with a lot of other simplified ideas. One of the frustrating things in a large city like Los Angeles is that whenever an individual moves he's responsible to go through the entire certification process again, inasmuch as his household situation may change and he may be paying \$5 or \$10 more or less rent. In Los Angeles this particular population had a movement rate of about 25 percent a month. So, roughly 75,000 people were going through a recertification process each month simply because they moved.

We felt that once we had simplified this thing and established a flat grant, and the income, expenses, and everything that previous speakers have talked about, we'd have the problem licked.

We even designed a simple form and got down to about three-quarters of a page of information. Then we took it a

step further and said, "Well, look, if we're going to build the eligibility determination into our computer on AFDC, why can't we do this on food stamps?"

So then it occurred to us that all we would need to do then is put this beautiful program into the computer logic and then when a recipient requested food stamps and AFDC, we'd simply explain the Food Stamp program, determine whether they'd like to participate, and that would be it.

The computer would identify precisely how much they were going to pay for their food stamps from data collected for AFDC and would mail it out to the recipients regularly.

Well, before we got this far, the chairman of our Commission of Los Angeles visited HEW and Agriculture to determine whether they'd be receptive to a pilot program like this because we knew we couldn't introduce this nationally.

We requested a 3-year pilot and they were very receptive to that. Then we met with the regional people and they seemed fairly interested in it although they gave us a little warning that it didn't appear to them that they (USDA) had the authority to initiate pilot programs. This "blew our minds" because we have pilot programs in AFDC coming out of our ears.

But, sure enough, after a lengthy analysis of our simplification program, it turned out that the Department of Agriculture had no authority to conduct pilot programs; so, therefore, ours was rejected.

Later on when the Senate requested the Department of Agriculture to come up with some legislation that would simplify the program, we immediately turned this vast amount of data in to them and got a letter back saying, "Appreciate your information but it was too late." Of course that information was there for 3 years, but they missed it somehow down the line.

So we're looking at a program in Los Angeles of some \$150 million of bonus value annually.

The stamps are purchased at transaction stations which we call issuing agents. People were formerly using banks, but the banks objected to it so we had to go other routes. We have 57 issuing agents. We pay them 85 cents a transaction, which amounts to about \$3 1/2 million a year.

Other welfare programs

Now this is part of a welfare program in Los Angeles County and I'd like to give you the magnitude of some of the other programs.

The cash grant program is \$617 million; the food stamps, as I've mentioned, are \$160 million; the medical-medicare, \$596 million; and the SSI program, \$427 million. So, in little old Los Angeles County, we're giving out \$1,800,000,000 a year.

There are 13,600 workers in the Department of Public Social Service, which dispenses these benefits and is located in some 100 facilities throughout the county.

Program complexities

The complexity of the food stamp program has to be mixed in with the AFDC program inasmuch as the same employees are handling the applications.

Several of us got together and said, "Let's lay out what happens when a potential applicant for public assistance walks into the intake office and applies." So we created a flow chart. I will need a little help in unrolling this chart.

Remember, what we're looking at now is a combination of the public assistance programs.

(unrolling scroll as he explains it)

As you can see, the applicant walks through the door, talks to a receptionist, begins filling out forms, and those forms have a yes or no condition. Then they go elsewhere and elsewhere and elsewhere and elsewhere.

(Laughter as scroll is unrolled halfway around the room-- a total length of 44 feet.)

Well, there it is--they finally got the check. Now intermixed with all of that is approximately a thousand forms that are required to be filled out by the recipient or the worker.

Now this is not a situation where every applicant would go through all of this, but this is the conceivable thing that they would be involved in.

It includes the food stamp program. It includes the medical applicant. Includes the work registration requirement, and so on and so forth.

This, ladies and gentlemen, represents a national disgrace. Our legislators, our bureaucrats, our judges ought to face the citizens of this country in shame and humiliation for creating something like that.

That's my opinion, and all of them are responsible. They seem to legislate programs and walk away from them and say, well, I guess we solved that problem, and never look back on it.

The worker who handles certification must as a minimum requirement have a high school degree, that's it. We have 4,000 eligibility workers in Los Angeles County — 75 percent of them have immigrated from the clerical ranks, at which they have to have a minimum typing skill of 25 words a minute. Once they become an eligibility worker they handle 140 cases the next day—140 cases represents up to \$500,000 of taxpayers' money a year.

I submit to you that this is complication at its utmost. So when anyone asks you or tells you about the complications of public assistance, you can recall this visual illustration of it.

Administrative problems

We have other problems. First of all, there is an inconsistent administration of aliens in California—between AFDC and food stamps. There are inconsistent regulations on income allowances between AFDC and food stamps. There are inconsistent concepts of budgeting in California. In California we have prior months' budgeting versus food stamp concurrent budgeting. Even the new child regulations, which came out a month ago, are inconsistent. The regulations exempt the incentive payment from AFDC, but not food stamps. We have problems with the issuing agents. It's the county's responsibility to contract with the issuing agents to issue food stamps and to establish eligibility, determine the payment schedule, mail out the AIPN, provide an identification card which, incidentally, is the most stupid thing I've ever seen. It's a piece of plastic with the person's name on it, and provides the authority to purchase food stamps. All of these, incidentally, are counterfeited very easily.

We recently encountered counterfeiting operations of food stamps in Orange County where they had about half a million dollars of food stamps ready to go on the market.

From then on it gets rather loose. The issuing agent orders the stamps from the Department of Agriculture. The county doesn't know about that transaction. The Department

of Agriculture then transmits the stamps to the issuing agent, and again the county doesn't know about that transaction.

The Department of Agriculture sometimes ships short in terms of the order so the agent doesn't get the amount of stamps that they have ordered. Then again the county doesn't know about it.

Yet the county has the responsibility for administering this program effectively. We have problems in smaller locations where a smaller quantity of stamps are really required, and yet the Department of Agriculture's minimum allocation is \$180,000, which poses a significant problem in some of the areas like that.

In California a new administration was elected. We had real tight coordination going on between the county and the State previously, but now we are in trouble.

We have no State administrator. There hasn't been a Director of Welfare appointed as yet. There is no one the county has to go to for advice, for authorization to deviate from policy, and for approval of procedures.

The next step would be for the county to go to the regional HEW office in San Francisco or the regional office in San Francisco for USDA; and in neither case does the county get any help these days.

Therefore, the county has no one to go to but Washington (USDA). A big problem here is communication. Can't seem to get responses back; and in order to proceed in some of the innovative ideas that Los Angeles has come up with recently, they've undertaken a different policy. They advise USDA Washington that this is a proposal and, unless they hear otherwise, they will proceed within 10 days. Information is now gradually beginning to flow back to Los Angeles so we can do some of these things that we're talking about. Los Angeles represents 40 to 50% of the food stamp case load in California and deserves better attention.

L. A. County problem resolutions

I'd like to have some confidence that things are going to improve in the food stamp program nationally. I can see improvement in Los Angeles County. We introduced a quality control program concurrent with AFDC quality. Incidentally, while I'm on that topic, the AFDC quality control program has provided one of the greatest benefits I know of. I can't find words to tell you how well that program is really doing.

We organized a quality control section within the department in which they audited 50 cases in each one of the district offices every month. We (the department) were able to identify what districts were giving us problems in quality.

We were able to identify what program material was causing the problem; what the causes were. We set up a corrective action committee to correct the problem and, as a result, in the last 14 or 15 months that the program has been going on, we've been able to reduce our errors by more than 50 percent.

When we started, overpayments were approximately 27 percent; where now it's 11 percent. Ineligibility was something over 6 percent and now it's below 3 percent, and that's quite an accomplishment for a large organization.

Our quality control recommendations have now been incorporated throughout the State of California and in all the counties and, although Los Angeles is one of the parties that engaged HEW in a lawsuit challenging the concept of fiscal sanctions, we nevertheless believe this quality program has done a great deal of benefit.

The lawsuit will continue (I expect) as long as HEW threatens sanctions, but, nevertheless, unless things change drastically, some day we're going to find ourselves within the federal sanction level of 3 percent for ineligibility, although I don't expect we will reduce overpayments to five percent.

The quality control program was so successful in AFDC that we introduced it in the food stamp program. While we were auditing 1250 cases monthly in AFDC, we said, "Why not review the food stamp component in these cases?" So in a typical month that amounts to about 300 to 900 cases. So we now have a monthly quality control report for each district on the food stamps. These are public assistance food stamp cases. There's also a nonassistance quality control program that comes from the Department of Agriculture.

The error rates have dropped from about 45 percent to about 35 percent in the last 3 months. We're finding out what some of the errors are. All of this, naturally, has led to an upgrading of standards for the eligibility workers and supervisors of the management structure.

We've automated the training. We provide videotapes as a technique for training now. And so generally we're working strenuously trying to manage the program, and beginning to make some progress.

BEST DOCUMENT AVAILABLE

I look forward to dealing with you people in whatever capacity that I can in the future and I want to thank you for inviting me to speak to you here today.

MORNING DISCUSSION

It seems that based upon the presentations given this morning as to what the issues are in food stamps and an awful lot of frustration as to why nothing happens (in reforming the program).

Why does nothing happen and is this an area in which GAO could contribute? How do you make change happen, if we already know what all the good answers are?

MISS ALLEN: Well, I do think that there is a role for GAO simply because I think the problem right now is that there is a big vacuum in the leadership area in food stamps.

I think the history of this agricultural report, or the history of the reform effort, which really dates from this fall, any serious attempt to considerable reforms in food stamps is very illustrative in the sense that there seems to be a tremendous problem of leadership at the higher levels of the government and at the top level of the Department of Agriculture.

Now there's a very hopeful thing in that new people did come into the program, primarily Royal Shipp, who was the head of the food stamp program this fall (1974). He is now the Assistant Director of the Food and Nutrition Service—Assistant Administrator, I guess, of the Food and Nutrition Service, and he's a very bright person.

He was in OMB before. He understands the issues and so on. There appears to be no one for Royal to talk to. When the sudden raising of the purchase requirement rate was decided upon last fall, Royal Shipp wasn't even present at the discussions.

It wasn't that he was uninformed that was going to happen. I know personally that he was very upset at the idea that there was no prior analysis on the effects of that raise, although the data and the methods were already there which would have shown that it was going to cause tremendous hardship at the bottom levels of the income distribution.

Above Mr. Shipp in the hierarchy is a Secretary who is committed to getting rid of the program one way or another, and no one else in the Department of Agriculture has ever been very interested in it.

I think there's a similar vacuum in OMB. There's been a lot of turnover in OMB personnel in recent months. A lot of them have gone over to CPO and other places and, below the

level of Paul O'Neil, there really is no one who understands or has studied the food stamp program.

Now they are bringing in the Domestic Council to look at the issues. I don't know that anyone there has studied the issues in great detail, and I think the debate will be dominated by HEW where there are many bright people; but they're all people who have been studying welfare reform and there seems to be fear that any emphasis on food stamp reform might steal the thunder from any welfare reform.

So what's left now for any leadership is the Congress, and Congress has been increasing its knowledge base but it's very difficult, or has historically been difficult, for the Congress to get itself together—to really look at alternatives and sponsor studies and delve into it and so forth, and here is where GAO can play a big role.

They have done it in other issues; certainly the quality control report that GAO put out was a very influential thing in focusing attention on the program.

MR. STEINER: I guess I don't agree with the basic premise that we know what the good answers are. We know only what the troubles are. We know what the inconsistencies are. We know what the ambiguities are.

You have heard a variety of good answers spewed out this morning, but the particularly desirable answers, or the single answer that is most desirable from an individual viewpoint, will vary with the taste of the analyst.

So the best answer for me is an elimination of funny money and a cash-out to a single currency. That may not be quite the best answer for some other equally well-intentioned and high-minded people who are upset by the complications involved in moving from here to there, and who will advance a somewhat different kind of good answer.

Manifestly, my taste in a good answer will not necessarily agree with the taste of a large number of recipients who are, indeed, benefiting significantly from the present arrangement and do not have the same visible distaste for a stamp program that I do. And certainly their judgements, particularly as users, can't be set aside.

In short, there is not the kind of universal agreement as to what should be done, thereby simplifying the problem to how do you get from here to there?

As is suggested, I guess it strikes me, therefore, that if there is some mechanism known to the GAO for pushing the Congress to a determination of program objectives, that is the first order of business to attend to.

If it is possible to get a decision as to what it is that Congress wants out of a food stamp program, perhaps it wants a supplementary public assistance program that may be of an entirely different character from the older public assistance program.

If that is the case, a good many things fall away as areas of concern. But if the Congress in its wisdom concludes that that's not what it wants, but that it wants something else, it then becomes possible for GAO to turn to the question of how do you get from here to there?

Joseph Wholey's little book on Federal Evaluation Policy came out of the Urban Institute and makes a good deal, as many of you know, out of the importance of getting a fix on objectives.

Do you want to work toward improving child health in general or do you want to work toward reducing the incidents of mental retardation?

They get wrapped up in a single piece of legislation and it gets terribly difficult to make an evaluation of progress under that legislation.

By the same token, the absence of a clear-cut objective here strikes me as the single hardest problem to crack.

Should we just deal with the food stamp program in isolation when reviewing the program or are there other programs directed towards the low-income groups which need to be looked at, at the same time?

Also in reference to Mrs. Allen's previous answer, I think the problems she refers to in leadership are narrower than EEW or Congress. I think it's the Agriculture Committees who are not ready to give up the Food Stamp Program to the committees dealing with public assistance.

MISS ALLEN: I heard an interesting argument made by one of the staffers for the House Agriculture Committee, saying that, although there are some people on the Ag Committees who take the Butz point of view on the welfare program, and there are others who see it as a means for attracting interest to the Agriculture Committees.

There has been a growing schism in the Congress between agricultural problems and urban problems and one issue that brings the two together and gets a bit of mix on the committees is potentially the food stamp issue.

Some people feel it's very important in the long run just to get that kind of people on the Agriculture Committee--people with urban interests--so that we begin to perceive for a wholly different purpose that everybody's fate is bound up in the agricultural question.

When you get this feeling of cities versus the farmers, when you're all in it together, that's a very tricky kind of problem to deal with.

MR. CLARKSON: I also think that we tend to underestimate the amount of interest about the government programs. In my study ("Food Stamps and Nutrition") I tried to analyze and give an idea of the benefits of the nature of the program. A lot of people looked at this study, newspaper people, people that interviewed me on programs, with the result being that Clarkson was in favor of malnutrition and starvation because he wanted to eliminate, not cash-out, the food stamp program. That's not true.

I didn't realize the extent that the average person is uninformed and it's really the voters that provide a very effective constraint on possible legislation.

MISS ALLEN: I had the same experience with the hunger lobby. One thing I did write about in the press was doing away with the itemized deductions and actually this is a funny thing.

I thought it would appeal to liberals because a standard deduction will increase benefits significantly at the bottom end of the income distribution, and I thought that was a good thing to do. But I've had visits from quite irate food action this and that.

Any change in the program is to be fought. It's viewed as an erosion of this good thing they've got going, and about the only change they talk about is raising the coupon allotment which is about the last thing you want to do.

Am I hearing two different opinions between Mr. Steiner (in his presentation) and Mrs. Allen as to whether or not there is a constituency for food stamps?

MISS ALLEN: A very strong organized lobby. The question is, does it represent the poor? I mean that's***

MR. STEINER: It's a surrogate lobby.

MISS ALLEN: And they would surely assure you that they were representing the poor and they will have them at the McGovern hearings and they will certainly get a great number of people brought forth to say how good the food stamps are and, of course, they are good.

They're a whole lot better than nothing. The question is, are they better than cash? And I don't think that issue was ever raised in all of the millions of—or hundreds of—hearings.

No one ever said, "Mrs. Jones, I know you like your \$130 worth of food stamps but would you rather have \$125 worth of cash?"

But there certainly is a very, very, very striking hunger lobby.

MR. STEINER: For years it was a lobby of surrogates in public assistance, but I think the character of the public assistance lobby certainly changed materially when George Wiley appeared on the scene and organized the National Welfare Rights Organization.

My point is that there is no food stamp equivalent of the National Welfare Rights group, although NWRO itself took on some food stamp worries in its declining days.

I would like to try to throw out a conjecture as to the possible answers as to why nothing happens in food stamp reform.

I don't know that it's just leadership and I don't know that it's just Congress not being interested in setting out objectives.

I would like to suggest that the problem is larger than just one program. This has been alluded to, but I'm sure the idea came across less strongly than others.

When you do try to improve one program and you make some alterations in it, you don't recognize the nonprogram effects, the effects that are accumulated across these other income security programs, and so I guess what I'm trying to get to is that the Congress could do a better job of specifying what their objective are.

If they were presented information that states here's the cost across all these programs, income security-wise, and here's the advantages and

disadvantages of all these things as they exist today. In other words, this is really what's happening out there today. And in addition to that, if you were to make this kind of change in this kind of program, the gross effect across all these programs would be such and such on this target population and on the target population of recipients as well as non-target population.

If they had this composite set of information they could pick and choose and say, okay, if I pick something on this scale, this is what's going to happen on that scale; and I can't have all my good things and I have to put up with some of the bad things, but how much of the bad things am I going to get when I try to grab some of these good things?

If they had that kind of information base, then maybe they could wind up agreeing to what sort of objectives they'd like to shoot for.

Mr. Moe, do you find in the actual application of these things, that this ripple effect, or the ramifications of one program or another, that people understand what they are?

Do you have any method in Los Angeles County for beginning to understand all these interactions?

MR. MOE: You're talking about the work level or the client level or the recipient level?

I think I'm talking about the decisionmaker level. Do you think the decisionmakers, at any level--Federal, State, or local--have an understanding of the kind of thing the previous questioner was talking about?

Do they understand the implication of pushing a button here and watching three buttons pop up over there?

MR. MOE: The only place that happens is at the local level because that's where the implementation takes place. Up to the last point, people are working independently of each other and scarcely considering the impact on other programs that their changes might make.

MISS ALLEN: Mr. Moe had a very good point while he was talking and which sort of slipped by, and that is this point that the Department of Agriculture has no authority to try field demonstration projects.

In welfare, of course, we've had Section 1115 waiver for years, which allows very innovative things to be tested out both in administrative and program structure, but the Department of Agriculture has no authority even to evaluate the programs much less try local variations. Los Angeles is a leader, but there are other counties that are interested in innovation too but there's no authority to do it; and that's something that should be pointed out very strongly to the Congress.

MR. MOE: Incidentally, they (Food and Nutrition Service) were offered that authority but declined.***I guess the rationale would go something like this. You can probably help me out. We're running a Federal program and we have Federal standards and it's going to be across the board for all 50 States. We aren't going to treat anyone differently.

Whereas on AFDC it's run essentially by the States and we have 50 different approaches on how we handle AFDC.

MR. STEINER: That's a tremendously important point and one that I hope you won't lose sight of--highlighting the consequences of intermixing federally established programs with Federal standards across the board in all 50 States so that, presumably, identically situated applicants are treated identically so far as benefits are concerned, wherever they may be.

Intermixing that kind of program with Federal-State programs of the public-assistance type where the differences can be very profound, depending on whether you happen to live in Richmond, Indiana, or five minutes across the border in Danville, Illinois. Then superimposing on top of that difference, the Federal program, further complicating matters by then introducing another Federal-State program--medicaid--and adding to that the possibility of yet another Federal program, my personal favorite--the veterans' pensions--and putting them all together in one big pot. This eventually seems to me a situation whereby the level of benefit available to any particular depressed individual or individual family, and the character of the program, through which that benefit is paid, are a matter of chance rather than what we like to think of as assured entitlement.

Now it may be that in some cases it works to the advantage of the individual beneficiary. In other cases, obviously it does not, or there's something wrong with the situation where we have mingled these kinds of patterns and made it virtually impossible to predict the outcome of any particular application, in any particular situation.

The Federal assistance standards in Federal programs based on the obviously specious assumption that equal money means equal treatment everywhere, or equal stamps means equal treatment, and further compounds the problem to assume that 50 bucks in New York is 50 bucks wherever.

Basically, as I understand, AFDC over the years, this was something that was ongoing to a large extent before the Federal Government became involved and, as a result, it's continued down the road as a partnership.

The food stamp program is not a partnership in terms of program costs, except to the cost to operate the program itself. Otherwise, the Federal Government is paying 100 percent of the food stamp owner's value, and this may account for some of the differences between food stamps and other programs.

The Agriculture Department, I know, takes a pretty firm line that these are standards, so on and so forth, and they want the States to follow them right down the line.

But when you get involved with HEW on AFDC, the States and counties have much more flexibility because it is a partnership.

MR. MOE: That's absolutely correct. Where people have no vested interest they have less attention as to the effect of the administration of it.

Does that mean that what you're saying is, if we look at the welfare program as a whole, it moves more in the direction of national standards, it would be less and less effective?

In other words, getting back to this balance, how should we be thinking about which way the balance should go? What should we be looking at?

MR. MOE: Well, to be the most effective it should be. The most authority should be given to the local control; and with authority comes responsibility, and when we're talking about responsibility we're talking about money.

MISS ALLEN: I think the point is really that the administrative control should be vested with the responsibility for funding. If the programs are federally funded, they should be federally administered. On the other hand, if the benefits are locally administered, state administered, whatever, then that jurisdiction should have a financial stake in the program so that the two interests are aligned, that's. you know, it's not clear what's the better way to go in any program.

MR. MOE: I had a clear demonstration of that when I tried to sell my simplification program to the State of California. They were totally disinterested in it and, after a series of meetings, I discovered that they had no financial investment in it; therefore, they had no interest in the proposal.

And I said, "Well, don't you realize you're paying 25 percent of the administrative cost of this program?" And they said, "No, we're not." I said, "Yes, you are." And we got into a big argument. This was the State director.

And I said, "Call such and such in your office and ask him that question." And he said, "Okay." And from his office in Los Angeles he called Sacramento and sure enough.

He said, "You mean we're paying 25 percent of the administrative costs of this program?"

They immediately went from a disapproval status on my proposal to approval and then they implemented it on a state-wide basis.

MISS ALLEN: They could have reacted exactly the other way and said we don't want to invest any more for administration.

I'm sure you pursue your quality control program much more vigorously on AFDC than you do food stamps.

MR. MOE: We did.

Because of the dollar funding. You can save more on AFDC than you can on food stamps.

MR. MOE: Our country is probably uniquely different because right now the primary emphasis in the country is on food stamps and we are just now initiating a quality control medicare where we have no financial involvement at all.

MR. RICHARDSON: I'd like to speak to a slightly more limited area. In terms of congressional interest, about the spectrum of interest that's developed very quickly over the last 6 months in Congress. It doesn't go as far as cashing out yet. It may. But yet, it doesn't.

It's not the kind of spectrum that Mrs. Allen was talking about, which starts with rationalizing the program and goes all the way to cashing out. It's more a spectrum that runs between the Buckley-Michel proposals, and has yet to be seen.

I guess it might be classified as looking at the food stamp program as it stands. A lot of decisions haven't been faced up to and haven't been made, not simply because Congress has ignored a lot of issues in the past, but because there just hasn't been any information at all available to anyone who is interested in the food stamp program.

The information that came out in this USDA report (in response to S.R. 58) and, albeit conclusions, was an astounding surprise. It's the first time that there's been any provision of statistics or analysis of any kind on the food stamp

program, other than Barry Staats small studies. As long as Congress, and specifically the committees, have remained totally in the dark, as to things like the issuance process, how does it work? What kind of complexity does it comprise? What kind of complexities are in it? What are the costs of it? How does work registration work or not work as many have contended?

Just what are administrative costs? How are policies made on food stamps within the USDA? Up until very recently, and even now maybe, policies have been made on a very case-by-case response to newspaper articles, and no one really knows how the set of rules in our government food stamp program have accrued over a time.

Most congressional offices and committees are totally in the dark about how the food stamp program runs and might look on a cash-out as an alternative or might we willing to be led to look at the total welfare situation more easily if they knew what was happening in their own program at the present time.

And so I think that GAO's role is, at this point in time, somewhat more limited than looking at the overall question of welfare reform, but gets down to the nitty gritty of State and local problems in administering the program.

The GAO report that came out earlier this year, this USDA report, Mr. Clarkson's book, were probably the first steps, and they're starting to bear fruit for the first time.

Do you think too many changes are being made in terms of the program by the Congress? Because in talking with case workers, they say to me changes are coming around and they're not being able to keep up with them.

Is the program being changed too much?

MISS ALLEN: It's mostly regulations from USDA that are changing it and, of course, the coupon allotment gets changed every 6 months.

MR. RICHARDSON: They've changed without realizing some of the consequences. A noteworthy example for me is public assistance withholding, which was a change that was made and then not made and then made again and not made then shifted around. For the first time you have actual agreement from across the spectrum about what should be done about public assistance withholding, which is basically make it optional, and the agreement is based upon reactions to State and local welfare agencies.

BEST DOCUMENT AVAILABLE

And, for the first time, Congress is beginning to get feedback on the State and local impacts of its decisions, and they're starting to reevaluate. This public assistance withholding question is just sort of the start.

It's the first time I've seen it, that kind of feedback. And the question on the automatic certification, the debate over it surely reflects the fact that Congress is hearing about the problems they caused with the rules that are generated by their laws.

Mr. Richardson, you raised the point that you furnished information to Congress on how various food stamp processes worked.

My question is, why don't the Congressmen go out and ask Agriculture for this information. That's what we at GAO do, basically, and let me amplify it from the standpoint that when I read the appropriations hearings, it's sort of you don't ask any embarrassing questions and we won't give you any embarrassing answers.

For example, a couple years ago we were reading in the appropriations hearings and FNS mentioned, "Oh, yes, we're transferring \$19 million to the Department of Labor to administer work registration." "That's nice." And they go on to something else.

There's absolutely no question as to, "Why are you paying them \$19 million? What are you getting for it?"

We asked the agency later and they said, "Well, we're not really getting much of anything for it."

MR. RICHARDSON: A lot of what I'm talking about is what I see over the last 8 months, a completely changed extent of congressional interest. So, first I think there is a lot more congressional interest now than there ever was at any time, including back in '69 and '70, when they made the last major changes.

And then, Mr. Steiner, I think, just flipping through a little booklet, pointed out that in general the committees in Congress have avoided evaluation of the food stamp program. They just ducked the whole thing until recently.

Some would argue even now that the Department has just never been responsive when questions were asked.

And, you know, I'm not sure, maybe from the State and local side, but I know from the congressional side it just is not responsive enough and it's not simply because they refuse to look at the issues. It's because they don't know and they have no system for finding out and I'm not sure why. Maybe they've always not wanted to find out, but the USDA hasn't been asked because it doesn't answer.

AFTERNOON SESSION

KENNETH CLARKSON

There were a large number of questions raised this morning, and I would like to discuss some of these questions within the framework of the study I've recently completed. At the same time, I'm going to try and give my impression of the kinds of studies that GAO might do in the areas of food policy, energy, or any other kind of problem that they might want to look at.

The first aspect I'd like to comment on is the point brought up by Mr. Steiner that it is necessary to identify what the food stamp program does. That is to say, is it a welfare program or is it some other kind of program?

This type of question is, of course, relatively necessary for certain inquiries, but if one intends to look at programs with respect to more general goals, a better understanding of the program is often obtained. For example, I don't think most of us would quibble over the classification of the food stamp program as a transfer program, as opposed to an investment or some other unrelated program. If that's the case, is there a set of questions or methodology of analysis that one might apply to transfer programs that might differ from the analysis applied to other programs?

I think there is. So I'd like to classify the food stamp program as a transfer program, and then suggest a methodology for analyzing transfer programs.

Now, I cannot be entirely complete without having some notion of kinds of resources that might be devoted to certain analysis. My study spans a period of about 15 months, and I probably have anywhere from a half man-year to something slightly more than that in it. However, if I have a larger commitment and if I had a lot of research assistants working for me, it would have been a much larger analysis.

When you have a transfer program, there are two aspects that are relatively important to identify--recipient benefits, as well as those that might attribute to nonrecipients, or external benefits (those benefits that essentially influence taxpayers, the policymakers, or other related individuals).

In order to do this, one must know how a particular program modifies the sets of constraints--incentives, if you like--facing the individual participants.

Many of the kinds of questions that we want to answer, such as: (1) "Why is participation so low?" (2) "What is the involvement of the work requirement rules?" and (3) "What are the effects of the deductibility of certain types of expenses?" are more easily answered in the context of a very serious analysis of the exact incentive changes of the recipients in the program.

Any program might alter recipient constraints. By changing the relative price of food, a program could make food relatively less costly, or a program might involve a change in options that is sometimes referred to as an all-or-nothing exchange offer.

For example, suppose we give recipients a card that says, "I'm a member of the food stamp program." This may mean that when you go to the cash register the charge will be one-half of the total food bill. The program in this form would change the relative price of food, but that is not how the food stamp program operates.

If you participate in the food stamp program, you must give up a certain amount of your monthly income, so defined, in exchange for a monthly allotment of food coupons. This exchange offer is modified somewhat by the variable purchase options, but for purposes of this session we'll ignore those options. In the current food stamp program, the set of incentives facing an individual are very different than those he would face if you lower the price of food to encourage consumption.

By identifying the exact change in incentives and by applying some very basic elements of economics, one can generate a large set of implications related to the food stamp program without a detailed investigation of the particular facts of the program.

Let me give you an illustration. The food stamp program, as we know, causes individuals to have a greatly enlarged food purchasing power.

In many cases, this increased food purchasing power may be significantly more than the amount that the individual would voluntarily choose if he had an equivalent cash grant. When the food stamp coupon allotment is greater than the amount they would voluntarily purchase, economic theory would predict that individual households would try to increase their satisfaction by either legal or illegal methods of purchasing nonfood items.

BEST DOCUMENT AVAILABLE

Legal substitution of nonfood for food commodities can be made in various forms. While the food stamp program does require the purchase of food, the regulations do not specify the manner or conditions associated with the purchase of food. For example, instead of going to the chain discount stores, a participant may go to a local neighborhood convenience store which charges a higher price but provides some nonfood services in the form of faster checkout and other related aspects. Alternatively, the participant may buy food that essentially contains a high degree of packaged maid services. Thus, instead of buying the meat, potatoes, vegetables, and preparing the dinner, a recipient could buy a packaged dinner in a TV tray or in some other form.

Most of us are also aware that some individuals will attempt to make the substitutions by illegal methods, either by trading food stamps for nonfood items or by illegally selling them.

While we do not have very much information about the precise magnitudes of these activities, one can identify some major consequences of the particular form the food stamp program has taken. These consequences can be derived, without thorough and costly investigation, using basic economic principles, and could have been identified in 1964 when Congress was considering the bill. Furthermore, these implications may also suggest some backup studies that GAO would find useful for analyzing particular programs.

There are several implications associated with the food stamp program that can be tested, and some of them were actually suggested to me by individuals who challenged the nature and kinds of hypotheses that I was able to derive in the study. For example, using a methodology of analysis that examines changing constraints or incentives in the food stamp program, one is able to specify that there will be a certain amount of waste from the recipient's viewpoint.

This waste occurs because recipients cannot buy nonfood items with food stamps, and they would be willing to take a smaller cash amount in lieu of the food stamp bonus. Under such conditions, economic theory would predict that the estimated equivalent cash amount would actually be a better predictor of participation in the food stamp program than the actual food stamp bonus.

This type of implication can be tested with relatively crude but highly reliable data and statistical techniques, as demonstrated in my study. The results clearly indicate that this type of testing procedure, which can be done relatively easily, does have high benefits in terms of learning about in-kind transfer programs.

In addition, this procedure permits estimation of individual household and average bonuses, recipient valuations, waste, and changes in food and nonfood consumption. Results for June 1973 show that the average income of participants was \$168 with an associated bonus of \$45, which represents the difference between the actual allotment and the purchase requirement. The estimated subjective evaluation of this bonus by individuals who participated in the program averaged approximately \$37.

From the recipients' viewpoint, this implies an average waste of approximately \$8. These estimates, of course, were made with several simplifying assumptions; however, modification of these basic assumptions do not change the overall findings. For example, changes in the assumptions regarding food preferences and actual food consumption do not alter the basic findings. In addition, modifications in the relationships for testing participation in the food stamp program as a function of the subjective valuation as opposed to the actual bonus do not change the basic findings of the study. These modifications included specifying linear, semi-log, and double-log participation functions, as well as specifying alternative food consumption parameters.

Using the same information, estimations on the relative change in food and nonfood consumption by participation in the food stamp program relative to a cash-out can also be made. For the average June 1973 participant, the change in food consumption was \$33 and nonfood consumption was \$12, the latter representing the difference between previous food consumption and the purchase requirement.

These results can also be compared directly with the change in food consumption with a cash grant which shows an effective increase of approximately \$18 in food purchasing power by food stamp recipients.

One shouldn't bet one's life nor even a large proportion of one's wealth that these numbers are precisely correct, but they do give a very good idea of the nature of different kinds of problems that might be involved, and provide valuable information to policymakers, without elaborate and costly surveys or other methods.

There's another class of benefits, the external benefits that were mentioned earlier, that require a different type of analysis. For the most part we might assume that Congress specified what external benefit outcomes are desirable in the enabling legislation of the program. For the food stamp program, the objectives were to improve agricultural incomes and

improve nutrition. Consequently, one can look at the available evidence to determine if these objectives have been attained.

Up to this point, we were only concerned with the outcomes of a particular policy, and for the first time we are concerned with the particular aspects of this transfer program.

Possible changes in agricultural incomes were examined by investigating the relationship between relative agricultural incomes, the total food stamp bonus, and other variables. This relationship was statistically insignificant, suggesting that other variables were responsible for the change in relative incomes. Perhaps we shouldn't be too surprised at this result since the average household only increased food consumption by approximately \$400 under the food stamp program, which, when totaled for all households, represents about \$1.5 million in increased food purchasing power. This amount is less than 2 percent of the total amount spent on food, and only about 11 percent of these food expenditures becomes income to farmers. Of course, more is transferred to farmers, but factors of production must be paid from the total food expenditure transfer.

To understand the potential changes in nutrition by food stamp participants, it is best to return to the earlier predictions from the constraint model. An income transfer that requires an individual to give up a certain amount of general purchasing power or money in exchange for the specific purchasing power or food stamp currency implies substitutions when possible.

Since we know that people will try to make these substitutions, one can look at basic expenditure patterns to determine changes in food consumption at higher food expenditure levels. Studies show that individuals choose better tasting or more palatable diets with higher food budgets. These studies suggest that we would expect to find a significant change in the mix of foods as well as an overall increase in food consumption. The evidence that I was able to turn up confirms those implications. And what was completely surprising, and something I have to rely on totally from other studies, was that the nutrition associated with this new basket of foods, even though there was more caloric intake, did not significantly change.

Finally, when one studies Federal or other public programs, it is important to try to estimate the administrative costs of each specific program because there may be significant differences among programs.

We saw the long chart of the processes in the administration of welfare programs, and we know that each one of those processes involves the use of real resources. In the case of transfers that involve cash, such as the Social Security program, we know administrative costs can be as low as 2 to 3 percent of the amount of the transfer. Because the administrative procedures of the food stamp program are more complicated and because some households will attempt to make illegal substitutions of nonfood for food items, program administrative costs should be higher than a program that transfers cash.

For the food stamp program, estimating the administrative costs was probably one of the most difficult aspects of my study. There just isn't reliable information of total program costs, except those reported in the appendix of the Federal Budget. These, however, represent only expenditures by the Federal Government and do not include the monitoring costs by the U.S. Department of Agriculture, the FBI, or any other organization that enforces various aspects of the program.

Cost estimates were obtained by specifying a functional relationship relating cost to the size of the bonus and household participation, which are the most important variables with respect to the total costs of the food stamp program. Estimates show that the total bonus variable was essentially insignificant. Furthermore, the estimated coefficient on participation indicates that the average and marginal cost of the program are identical. Under such conditions, an estimate of state or local costs can be added to obtain the total cost function. This cost function shows that average monthly administrative costs are approximately \$4 per household. These conditions will not always exist in the administration of a Federal program, but it is likely that there are equally desirable methods for estimating the costs of a particular transfer or other Federal program.

If you add the estimated recipient waste of the food stamp program, which was approximately \$8, to the average administrative costs, one obtains an overall cost of modifying food consumption of approximately \$12 per month per household.

In return, the effective increase in food consumption approximates \$18. This is a rather remarkable outcome of the food stamp program. We have a massive and costly policy to alter food consumption which results in a small increase in actual food consumption.

I see that my time has run out, so perhaps we can bring up some of these issues during the discussion period.

JOE RICHARDSON

I'm going to be speaking on the current congressional interests, as I can see them through my limited view about food stamps. The major point I want to make is that over the last 8 to 9 months, Congressmen, members of committees, and staffs have for the first time in my four years of association with the food stamp program become willing to look more deeply into the program, into its objectives and into how it works than ever before.

They're starting to ask me, in my capacity as an information provider, questions that go beyond descriptive questions.

Now, this is not to say that the old recurring issues which most of you heard of, things like strikers getting food stamps, students getting food stamps, and of the voluntary poor getting food stamps, is not still very important; but many members have started to go much beyond that in their questioning about what the food stamp program does and what it should achieve.

So far it is not extended to questions that would go as far as cashing out stamps. And as I said earlier the spectrum of interest that seems to be developing starts with Mr. Buckley's and Mr. Michael's bill and others and runs a gamut to as yet an unseen but what will probably be coming out soon, a liberal type proposal, one might call it, with the USDA falling about in the middle, although it doesn't have any formal proposals yet. (Ed. note: The Administration bill was introduced in October 1975.)

Now, before I get to that spectrum, I want to talk a little bit about why I think there is this new willingness to look more deeply into the program.

Why is Congress willing to review the food stamp program?

I think there are three reasons. First, and interestingly enough is the impact of court decisions. There have been several on the food stamp program.

The impact of those decisions on congressmen is that they are seeing the law they wrote on food stamps, which is a very general law, interpreted in a way that many of them feel is not at all what they intended. Because of this, you find an incredible desire to be very specific now whenever any legislative change is discussed and a desire to make intentions very, very clear.

When someone wants to be that specific and make their intentions that clear, they start having to ask questions about how the program runs and about the impact of their decisions. And so suddenly--well, not suddenly, over the past 8 months--people are starting to ask questions about how the program runs.

Secondly, I think the Administration proposal for an increase in purchase prices to 30 percent - that happened late last year and got to Congress early this year - broke the ice.

Until recently, there had not been major proposals for structural changes in the food stamp program and suddenly we found from the Administration, a proposal that would have made a basic structural change. And this - I don't want to overstate it, opened the door for the people to start thinking about making major changes in the program.

Thirdly, as has been touched upon by the other speakers, the growth in cost and participation has had a rather direct effect on congressional offices--in the amount of mail they get, and the questions and complaints they get, both on the side of the recipients and those who are not recipients.

I think these three factors have been the major causes of a new willingness to ask questions about the food stamp program and probe a little more deeply than has been the case, at least since '70-'71 when the last major amendments went through.

Congressional interests

Now, to get back to what I see as the range of interests that are developing. As I said, I look at it now as a continuum or a spectrum that starts with Mr. Buckley's and Mr. Michel's bill. This bill, to simplify it a bit and I hope not too much, has as its basis a return to the idea that the food stamp program is a food assistance program, with the emphasis on food for poor people and people who cannot get by.

This emphasis is evident from two key provisions. First, there is the provision that purchase requirements go to 30 percent or the amount that a similar household pays for its food as established by Consumer Expenditure Surveys.

Right now, there is a question as to which one of those factors would outweigh the other, whether 30 percent will become the rule or whether what other similar households pay will govern purchase prices.

But the fact that in the bill there is a stated intent that we should be trying to get people to pay for food stamps what other similar households would pay, returns us to what the food stamp program was before 1970, in the sense that people are to be asked to pay what they would pay without a food stamp program.

That I think is a major thrust of the bill. The other evidence of a thrust towards returning to food programs for the poor people, or for the truly needy, I believe, is as it's most often stated, is a substantial cutback in eligibility standards.

In this regard, the idea of "itemized" deductions is thrown out and there is a return to the idea of counting gross income. Moreover, you have the dollar levels to which the gross income is compared for eligibility dropped to the poverty lines, which are about 30 percent below what they are now in the food stamp program for net income.

Next along the continuum, I believe, although I must say it's unstated, is the USDA approach. This approach would tend to leave the program as it stands, basically as a mix between an income transfer and a food program, while bringing in some new concepts to, you might say, "rationalize" the program.

This approach has not, as yet, garnered a lot of expressed interest on the part of congressional offices, partly because there's nothing they can pin themselves to. There is no set of comprehensive recommendations in the USDA report, thus people are left sort of hanging if they do favor that approach.

Thirdly, along this continuum or spectrum, we can expect proposals from the people who have generally been responsible for most of the proposals for changing the food stamp program--that is the "hunger lobby" or more "liberal" proponents of change.

There is in the works from their side some kind of approach that would address the issue of people with high gross incomes participating in the food stamp program and probably take the form of putting a gross income "cap" on the program.

In other words, recognizing that there is a problem connected with "itemized" deductions and that people with large incomes can get on the program, the solution would be to put a gross income "cap" of \$10,000 or \$11,000 on eligibility.

BEST DOCUMENT AVAILABLE

No one as yet has stated a figure, but that's the kind of idea that seems to be emerging on that end of the spectrum.

No one I've seen or heard yet has broached the subject of going all the way to "cash-out," at least in food stamp circles in Congress. There is the "Cornell" bill--the end-product of Martha Griffith's study of welfare programs. And it has garnered some interest, but not, as far as I know, from people who are also involved in food stamps.

The "cash-out" issue may become important but at this point in time, it has not yet surfaced in Congress.

That's the general spectrum of interest as it now stands. The kinds of particular interests that are being expressed center on recurring problems such as participation by the voluntary poor (strikers, students, and people who quit their jobs).

Other recurring interests are the effectiveness of the work registration requirement; the problem of SSI and food stamps; increasing allotment levels; the problem of where we should set the purchase requirement or whether there should be one at all; and, finally, fraud and abuse.

Among the new issues and the things that show, I think, Congress' willingness to go beyond the set of recurring interests, are first, the renewal of a couple of dormant issues such as outreach and participation rates.

In 1969-70, the USDA reduced purchase requirements, and those purchase requirements, as set back then, are basically the purchase requirements we have today.

That drop in purchase requirements was very much the result of Congressional and public concern about low participation rates in the food stamp program and it was thought that it put to rest concerns over low participation. But now the issue of outreach (bringing people on and what you can do about low participation rates) has resurfaced.

Another dormant issue is the worry about growth in costs. This has not been much of an issue (it was back about '69-'70) but now its also resurfaced.

Secondly, in terms of "brand-new" issues, there is the whole concept of counting gross incomes versus net incomes and the use of standardized deductions. This has caught a great deal of congressional interest.

The only bill or actual proposal that deals with this, so far, is the Buckley-Michel bill, which would basically drop all deductions and then go to gross income for eligibility. But the point is that congressional offices (staffs, congressmen, committee members) now have some kind of fix on the fact that there is a difference between net income and gross income in the food stamp program; that it affects participation; that it affects the kind of benefits people get out of the program; and that there are inequities connected with the difference.

Moreover, there is a new realization that state and local administrators have to be listened to and that their feedback is important in dealing with any changes in the food stamp program.

It's been a long time since I heard anybody mention state and local administrators when they talk about changes in the food stamp program, but over the last 5 or 6 months, I'm not quite sure why, there has been a renewed interest in listening to state and local welfare people who have to run the program and listening very seriously to their views about changes. There's likely to be a change in the law in more than one area as a result.

I think a good ending to my presentation--to show the new interest in detail evident in congressional consideration of food stamp program changes--would be a discussion of the recent hearings and mark-up on the so-called "quick certification" proposal.

This bill started off in the Senate as a provision for quick certification, i.e., certification on the same day and issuance of food stamps on the same day to anybody who makes a reasonable attempt to apply.

It also included provisions for continuous eligibility. It came to the House and was subject to a very extensive discussion in the House Agriculture Committee.

The example that comes to mind immediately is not related to quick certification, but to the continuous eligibility provisions. Continuous eligibility was a provision in the Senate bill that came to the House and it was a provision in Mr. Foley's companion to the Senate bill.

Now, normally "continuous eligibility" as a piece of language in a food stamp law probably would have been looked at with a minimum amount of discussion.

But what happened was a very detailed discussion as to what it really meant in terms of how the program would operate with the focus being on the question of prior notice and hearings.

Prior notice and hearings entered as an issue because, under the original Senate bill, there had been a situation set up through the bill's language plus the legislative history, whereby a person, once on the food stamp program, would be on until he was made ineligible through a fair hearing process.

In other words, a state or local agency could decide that a person was ineligible or reduce his benefit but that would not have any effect if the person appealed or until a fair hearing had been held.

That became the real issue in terms of continuous eligibility. Continuous eligibility implied on-going eligibility until a fair hearing decided you were off the food stamp program.

The committee for - again I keep saying for the first time and I'm sure there have been instances in the past, but for the first time in my memory or recollection--proceeded to go into it in rather great detail and still hasn't resolved this issue.

But that they're willing to go into that kind of detail that bodes well for the program. No matter what side you take on whatever issue, it bodes well that, for the first time, you have committee members wanting to go far beyond a bill's language--into actual program operations.

Usually food stamp legislation has been very generally phrased. It's not been terribly specific, and this has led to giving a lot of leeway to USDA. Congressmen are changing their minds about that in terms of food stamp legislation.

One other new interest that indicates the broad range of new interests, is sales taxes. This has now become an interest in congressional offices.

I don't know how many of you know this but when somebody purchases food stamps, what they pay includes the sales tax, if there is a food sales tax, in that state.

This is starting to be probed. I had never even heard anybody mention it prior to eight or nine months ago, but people are now becoming interested in this and that means that congressional offices are looking more deeply than they

ever have into the program--whether or not anything is changed.

It's not something that springs out at you from a quick investigation. A quick look at the food stamp program would not highlight the fact that food sales taxes are being charged on food stamp purchases.

How can GAO help?

Finally, in terms of how GAO can help in the current congressional consideration of food stamps, I would like to point up some areas that need exploration.

For example, no one knows how many strikers or students are getting benefits, what kind of benefits, or how long; and there are only scattered estimates available.

It's this kind of backup that I think is needed by congressional offices. I'm not saying that this will bring about a decision issues like these. It's just that they need help now that Congress is willing to take a hard look at food stamps.

I'm reiterating the point I made earlier, and that's that we have all this new willingness to explore the food stamp program, plus you've got old issues that still haven't been resolved to anybody's satisfaction; all of them crying out for help in terms of just information, not necessarily statistical.

So far it has not come from the USDA. It could come from the state and local people, which is beginning to happen. It could come from GAO and it even could come from Congress itself.

There is a major study now in the House Agriculture Committee, to try to get some information together but they've had to do it themselves because nobody has done it for them.

Whether they'll be successful, because they have a very limited timeframe to do it in and limited staff, I don't know, but it's just an indication that they think that gathering information and educating themselves was so important that they were willing to spend \$200,000 to do it.

AFTERNOON DISCUSSION

Mrs. Allen, during lunch you were discussing the possibility of doing a study showing the effect of cashing out the Food Stamp Program. Would you go over this again?

MISS ALLEN: Yes, we were talking about what would happen if you did cash-out food stamps. Of course, the only way to really find that out is to have a field project.

It doesn't do to just simply compare food consumption of people who are on the program as compared to people who are off, because obviously that's apples and oranges.

People who choose to participate in any given income level probably do so because they value food more highly than those that don't.

So you're going to see a difference in food consumption which isn't produced by the program but by people's taste.

The only way that you could really make such a comparison would be to actually cash it out for a group of people and compare them against people on the program. That's time consuming and expensive, but you have a natural experiment operating that you could go and look at, at a very inexpensive price. That is the Seattle and Denver income maintenance experiments, because essentially those programs did cash-out food stamps, not for the purposes of studying the effect, but because they wanted to have control of the people's total guaranteed income and their total tax rate.

Essentially what these experiments do, is if you choose to go and get the food stamp benefit, they tax it at 100 percent. They take away an equivalent amount of cash. This is probably in violation of Department of Agriculture regulations, but we hope no one will bring that up because it would ruin the experiment.

So there you have a true comparison. You could go in and look at the experimental group and look at the people with a combined income, both from the experiment program and from their own income, compare it to people in the control group with an equivalent amount of income in cash and the food stamp benefits. So you have a pure comparison and can look at their food consumption patterns.

Now, what is missing is the fact that they don't gather data on food consumption in the income maintenance experiments, because, of course, income maintenance experiments are run by HEW and food stamps are not their program.

But I would think that if the GAO made a request to HEW, it would be relatively easy for HEW to direct Food Research, who is the main contractor for the experiments, to add to the questionnaire for a limited period of time a requirement for the people to record their food expenditures.

I wouldn't make this go on over a year or anything like that but say for a month, and there you would have what you wanted--a comparison of cash-out on food stamps and it seems like a very obvious thing to do.

HEW will not do it on their own.

This is cash-out from the standpoint of impact on recipients?

MISS ALLEN: On the recipients and on the consumption of food, which is a big issue.

Now, the other thing that you would like to look at, and you have to have an additional group for it, is that half-way option which I suggested, which is that if you simply eliminated the purchase requirements that puts you somewhere in between the effect of complete cash-out and the current program. You could probably estimate that fairly well by interpolating between the two observations.

In fact, we may be attempting a simulation along those lines soon, changing our participation functions in the food stamp model to accord more closely to the rates observing cash transfer programs. That probably is not a bad approximation, but it's not anywhere near as good as you would get if you actually went out and tried it out.

The thing about doing these experimental programs is it would be relatively cheap to do, because in every case you're only talking about taking money that's paid out in the form of food stamps and handing it out by cash as in the income maintenance experiment.

If USDA had an experimental authority, you could do that kind of thing and your only net cost would be the cost of gathering the data.

Mr. Moe and I were talking earlier at lunch on cash-out also, but more from the standpoint of the delivery system.

Would you care to elaborate? He was looking at it from the standpoint of five States that have partial cash-outs in the SSI program and the questions of cost in relation to this cash-out.

MR. MOE: Yes, I mentioned this morning we cashed out 193,000 of the program under H.R. 1--providing \$10 additional in their grants--although somewhere between 25 to 30 percent of those people had not previously participated in the food stamp program.

About 3 or 4 months ago, Congress decided that they'd like to discontinue those cash-out States--California being one of them--so we did a cost analysis of what it would cost us administratively and what the benefits to the recipients would be if we were to reinstate those 193,000 cases which now have become 225,000.

We determined that the benefit the recipients would get would be approximately \$25 million a year and the administrative cost for providing those benefits would be approximately \$25 million a year; so, in other words, we'd be spending a dollar to give a dollar away.

We wrote letters to our Senators, Mr. McGovern, and other people; and McGovern said, "I see the problem," and I think that's the reason we were able to survive for one more year on our current cash-out problem.

It sort of ties in with the conclusion that Mr. Clarkson had earlier about the administrative cost.

I think one of the things we've been talking about all day long is cash-out and I'm not sure, frankly, that I understand what that means. Now, I know what I mean when I say cash-out because I'm relating it exclusively to public assistance cases.

I can easily see how that can be cashed-out by adding to the amount of the grant, but on nonpublic assistance cases I haven't the foggiest idea how we would ever go about cashing out that, because the minute you did that then you're into a guaranteed annual income, and that's a whole new ballgame.

MISS ALLEN: Absolutely. Now, we have collected a fair amount of data for the welfare reform thing, again coming out of the income maintenance experiments. Now, that's where my firm--Mathematica--is at. We run the field offices and do the interviewing and so on.

At the request of HEW, Mathematica did do a pretty comprehensive analysis of what it's costing us to run the income maintenance experiments, which is a guaranteed annual income.

The only thing is, you have to be careful when you do that. When somebody says something like percent of benefit cost, be very careful. It makes a big difference how big your guarantee is.

You can make the income maintenance experiment look like they're practically free to run by handing out great big benefits. It's just as cheap to process a big check as a little check.

So you have to be very careful in how you present administrative costs, but it's not an irrelevant thing to do though.

The reason the food stamp administrative costs look so high is that the benefits are relatively low because they only cover one form of consumption. That says something too--that if you're going to get into this voucher business of stamps for this, stamps for that, you're going to run very, very high administrative costs.

There are available quite a lot of costs figures on running an income maintenance program and a lot of comparisons with costs of running the current welfare program.

The most extensive analysis that we've done has been for the State of Colorado. Colorado has a proposal in to HEW to implement monthly income reporting in their AFDC caseload--using a system very similar to that which is used for the income maintenance experiment--but they would like very much at the same time to do the food stamp calculations.

It's cheap for the computer if you can get just standard definitions of income. You don't have to have the same benefit formula. All you have to have is count the same things as income, which is not the case now.

The differences have been analyzed; they're not great. You could make them the same without much effort; and it takes the computer a few microseconds to spit out two benefits instead of one.

Colorado can't do this because of the fact that Agriculture has no authority to give them any; to let them do a pilot program.

But that's the kind of experimentation that one would like to have to go on in several places and then get everybody together to compare experiences; and it's hard to do right now.

MR. CLARKSON: I think experimentation has an awful lot of benefits, but you always run into this problem. It seems to me whenever we get a new bill it turns out that we studied the wrong thing; and by that I mean, instead of cash-out, which we've studied for 6 months, the President says we're not going to cash it out completely. We're going to go to; we'll just call them essential stamps.

Essential stamps let you buy housing, transportation, medical care, clothing, and food; but nothing else and that's a completely different set of constraints, as opposed to the cash-out, but it comes close enough that it might be in fact a more politically viable option than the cash-out program.

So then what happens? Well, we have to interpolate with respect to the studies we have; and that's why it's useful to have information, because sometimes when we gather information we're fortunate enough to collect statistics that we don't use but that are then useful for the new analysis.

But it would seem to me that an organization that has a free hand might look more at ranges of possibilities--trying to see what we can answer with the existing set of data that we have and which kinds of questions we can't answer.

I'm very surprised, in the income maintenance experiments, that they do not list right now--maybe they do--what food expenditures are, what housing expenditures are, fuel, transportation, because we've already had recommendations for transportation stamps. There are also recommendations for housing stamps and, of course, we could just sit down and see what are the important goods.

I suggest spending your resources that way, as opposed to trying to second-guess what Congress is going to do.

There are a lot of reasons for that. One is you don't even know which committee it's going to come out of, and if you had to sit in 1980 and guess where the special program on food would come from, I don't see how you could do it.

MR. MOE: I think there are some logical assumptions you could make though about the future. For instance, I've never read any of the new bills, either food stamps or welfare, where they didn't list work registration as a requirement.

Now I've done a study of work registration in Los Angeles County and I found it a disaster area. Now it would seem like to me that this is going to be a part of any future AFDC-food stamp reform, and it would seem the logical thing for the GAO to tackle an investigation of the Talmadge Amendment benefits, the work registration requirements, the sanctions' provisions and getting people off welfare if they don't follow up on their work assignments.

That would seem to be an absolute gold mine for you to be looking at.

I have another. In California we had a problem with aliens. We've got problems on top of problems, and I know a lot of the southern States are going to have the same problem if they don't already have it.

We initiated a welfare form whereby the eligibility worker, upon the vaguest suspicion that she might be dealing with an alien, would make out a simple referral to I&NS-- Immigration and Naturalization Service.

Their responsibilities were to process this and determine whether this person was a legal alien or not. If they were not, well, obviously, they were not eligible for AFDC or food stamps.

We began turning these things in to I&NS, and one day I asked what the status was. We submitted 34,000 to I&NS, and I asked what type of response we had from I&NS. They said, "Well, we haven't heard anything from them."

So we went over to investigate the problem and they were stacked along the wall, 18 sacks of WR-6 forms that nobody had even opened yet.

We began working with I&NS to see what the problem was, and they said, "Well, we have a clerical problem. We can't get these things sorted out so that we can get to work on them."

So then we said, "Suppose we provide you the clerks?" And it took 8 months to negotiate that--to get their permission to go into their secret room so we could do their work for them in getting these things out.

After 8 months this program went on, and it was really doing well in terms that we had about half the work done and I&NS was beginning to respond to more and more of these inquiries.

We found there was about a thousand people they had no record of on the west coast, so they're dumping that problem back here in the Washington I&NS office.

Then we got a new State administration and they cancelled the whole program. So now we're back in the process of dumping these WR-6 forms back into I&NS, and the Michel bill and the Buckley bill, both on the food stamp issue, say let's refer these aliens to I&NS.

Well why doesn't somebody look at I&NS' performance on this thing because it's going to be coming along? Any way you look at it, it's going to be an issue.

MR. STEINER: It seems to me to raise a very fundamental question and one of considerable interest--notably, is the goal to restrict entry to a welfare program or is the goal to maximize entry into the welfare program?

Is our preoccupation appropriately with turning out illegal aliens and narrowing in on fraud or is our preoccupation with the outreach question that was talked about before?

MR. MOE: Can I answer that? On the local administrative standpoint we only have one obligation and that's to obey the law, and the law says that you refer the aliens to I&NS and that's what we do.

MR. CLARKSON: Well, it says also that you go out and find the people that are eligible and you get them on the program.

MR. MOE: No, they come to us.

MR. CLARKSON: There's a certification requirement but you're supposed to in some sense hang out signs. You're supposed to find these people.

MR. MOE: You see we don't have a bit of trouble finding them. They come to us at the rate of 59,000--1 every 9 seconds.

MR. STEINER: Maybe there are 89,000.

MR. CLARKSON: At the same time, you're supposed to exclude some of them as well. You know, first of all, people who make \$25,000 or better, that's one class that you're supposed to exclude.