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# FOOD STAMP AUTHORIZATION FOR 1979

GOVERNMENT

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## HEARING

BEFORE THE

### SUBCOMMITTEE ON NUTRITION

OF THE

### COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

### UNITED STATES SENATE

NINETY-SIXTH CONGRESS

FIRST SESSION

ON

### S. 1309

A BILL TO INCREASE THE FISCAL YEAR 1979 AUTHORIZATION  
FOR APPROPRIATIONS FOR THE FOOD STAMP PROGRAM

JUNE 14, 1979

Printed for the use of the  
Committee on Agriculture, Nutrition, and Forestry



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CHAPTER

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## FOOD STAMP AUTHORIZATION FOR 1979

THURSDAY, JUNE 14, 1979

U.S. SENATE,  
SUBCOMMITTEE ON NUTRITION OF THE  
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,  
*Washington, D.C.*

The subcommittee met, pursuant to notice, at 2:05 p.m., in room 324, Russell Senate Office Building, Hon. George McGovern (chairman of the subcommittee) presiding.

Present: Senators McGovern, Leahy, Melcher, Dole, and Helms.  
Also present: Senators Hayakawa and Lugar.

### STATEMENT OF HON. GEORGE McGOVERN, A U.S. SENATOR FROM SOUTH DAKOTA

Senator McGOVERN. This afternoon, the Subcommittee on Nutrition is meeting to receive testimony on S. 1309. That legislation was introduced earlier this week by Chairman Talmadge, Senator Dole, and myself. It would increase the authorization level for the fiscal 1979 food stamp program by \$620 million from the present level of \$6,158 million to \$6,678 million. A similar increase—in fact, an identical increase—has been reported by the House Committee on Agriculture in H.R. 4057.

This bill, frankly, is emergency legislation, and it is designed to prevent an across-the-board reduction in benefits to food stamp recipients during the remainder of this year. The current average food stamp benefit is approximately 33 cents per person per meal. If this legislation is not passed, that 33-cent average meal benefit would be reduced to the 19 million people who are now participating in the program.

As Chairman Talmadge stated when he introduced this bill, and I quote: "If this bill is not expeditiously considered and enacted into law, millions of Americans who are currently participating in the program will find their meager food purchasing power further reduced," end of quote.

It is the intention of the subcommittee, if this emergency legislation is enacted, to then conduct oversight hearings on the food stamp program. I might just say that earlier this year I made a pledge, as one Senator interested in nutritional programs, to spend a substantial amount of time this year on oversight responsibilities. We must periodically look at the operation of the various programs that we authorized to see if there are steps that could be taken to make them operate better.

Senator Talmadge has introduced by request S. 1310, the administration's food stamp amendments—Food Stamp Amendments of

1979. S. 1310, as well as the other food stamp bills pending before the subcommittee, will serve as the basis for rather comprehensive hearings and deliberations.

A number of States would like the opportunity to comment on the new regulations, and we will hear just a sample of these comments today. Various Senators would like to explore ways to hold down food stamp costs, and Senator Helms has spoken to me about his concerns. Recipients would also like the opportunity to comment on the strengths and weaknesses of the new program structure.

The issue before us today, however, is this emergency legislation, S. 1309.

At this point in the record I will insert a copy of S. 1309. [S. 1309 follows:]

96TH CONGRESS  
1ST SESSION

# S. 1309

To increase the fiscal year 1979 authorization for appropriations for the food stamp program.

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## IN THE SENATE OF THE UNITED STATES

JUNE 11 (legislative day, MAY 21), 1979

Mr. TALMADGE (for himself, Mr. MCGOVERN, and Mr. DOLE) introduced the following bill; which was read twice and referred to the Committee on Agriculture, Nutrition, and Forestry

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## A BILL

To increase the fiscal year 1979 authorization for appropriations for the food stamp program.

- 1 *Be it enacted by the Senate and House of Representa-*
- 2 *tives of the United States of America in Congress assembled,*
- 3 That the first sentence of section 18(a) of the Food Stamp
- 4 Act of 1977 is amended by striking out "\$6,158,900,000"
- 5 and inserting in lieu thereof "\$6,778,900,000".

Senator McGOVERN. Our first witness is Deputy Secretary Williams, along with Assistant Secretary Foreman and Bob Greenstein, the Acting Administrator of the Food and Nutrition Service.

Before I call them, Senator Helms, did you have any opening statement you wanted to make?

**STATEMENT OF HON. JESSE HELMS, A U.S. SENATOR FROM  
NORTH CAROLINA**

Senator HELMS. I have a brief statement, Mr. Chairman, and, of course, at the outset, I want to thank you for scheduling this hearing in the afternoon. As the distinguished chairman knows, I have had some problems with scheduling because of the Ethics Committee responsibilities, but, thank the Lord, we have at least an interim in that now.

I am obligated to emphasize today that I am greatly concerned about Federal budgetary trends, and as a significant part of the budget, I am particularly concerned about the food stamp program. We are all aware of this program's astonishing growth over the past few years and, especially, over the past few months. Between last December and March, the number of program participants rose by 3.2 million; that meant an increase in program participation of 20 percent. This incredible program surge shattered the Department's estimates of program costs. As a result, we are here today considering legislation that would permit 1979 program expenditures of almost \$1 billion above the 1979 authorization limit.

Some very serious questions come to mind, Mr. Chairman, about why this program's projected costs so far exceed the budgetary constraints Congress so very, very clearly set. Specifically, I am going to have some questions about why participation increasing provisions of the 1977 Food Stamp Act were implemented months before participation restricting provisions of that act were implemented.

Now, during that period, the taxpayers bill for food stamp allotments increased by 25 percent. The decision to separately implement the provisions of the 1977 Food Stamp Act cost taxpayers of this country literally hundreds of millions of dollars. Now, frankly, I suspect that USDA administrators could only have made that decision by deliberately—and I regret to say this—deliberately ignoring the program's budgetary limitations. Now, this attitude appears also to be manifested in the program's regulations. In all candor, I fear that maladministration of this program is the reason for its spending level being so wildly out of control.

Now, Mr. Chairman, I think I ought to serve notice that I intend to do the best that I can, as one Senator, to get to the bottom of the cause of the present budgetary predicament involving the food stamp program before voting on any authorization limit higher than the present level.

I thank the Chair.

Senator McGOVERN. Thank you, Senator Helms.  
Mr. Williams, you can proceed.

STATEMENT OF JAMES WILLIAMS, DEPUTY SECRETARY, U.S. DEPARTMENT OF AGRICULTURE, ACCOMPANIED BY CAROL TUCKER FOREMAN, ASSISTANT SECRETARY FOR FOOD AND CONSUMER SERVICES; ROBERT GREENSTEIN, ACTING ADMINISTRATOR, FOOD AND NUTRITION SERVICE; AND DAVID DE FERRANTI, DIRECTOR, OFFICE OF POLICY, PLANNING AND EVALUATION, FOOD AND NUTRITION SERVICE

Mr. WILLIAMS. Mr. Chairman, Senators, the statement is a little longer than I would like it to be, but I feel that it is necessary to set the stage for answering very specifically the questions that have been raised in the opening comments. I do appreciate the opportunity to appear before you today to discuss the funding crisis the food stamp program faces in the final months of the fiscal year.

The costs of the food stamp program are rising in 1979, and will substantially exceed the costs predicted when the Food Stamp Act of 1977 was enacted. While there are a number of reasons for this, the most basic reason is the upsurge in food prices since 1977. When the Food Stamp Act of 1977 was enacted, the Congressional Budget Office predicted that food prices would rise between 3 and 4 percent per year for each of the 4 years of the bill's lifetime. It was on the basis of the CBO report and their estimates that the specific figures in the food stamp "cap" were calculated.

However, food prices are projected to rise 22 percent in the first 2 years since the bill's passage. Had food prices risen at the rate originally predicted by CBO, rather than at the rate they have actually risen, the cost of the food stamp program in 1979 would be over \$800 million lower, and we would not be in danger of breaching the cap in 1979. Increased food prices are the single most important factor that has increased food stamp costs.

A second factor affecting 1979 program costs is the fact that the new households are entering the program sooner in the fiscal year than anticipated. We had assumed that 25 percent of the total number of new participants would be added to the program in January, February, and March. We assumed a fairly even phase-in rate, which would have had about 80 percent of the new participants added by July 1, in constant increments from January through June. The Congressional Budget Office assumed an even slower phase-in rate. However, data now in hand for January, February, and March, as well as the early part of April, indicate most new participants had actually entered the program by April.

Another factor now also exerting upward pressure on costs is the impact of the elimination of the purchase requirement, particularly in rural areas. When the 1977 Food Stamp Act was enacted, the Department estimated a new increase of 2.4 million participants due to the new act. This represented the net effect of both increases in participation due to the end of the purchase requirement and decreases due to the termination of households with the highest income levels. However, due in significant part to the rapid growth of participation in rural areas, we now believe the net increase will likely be in the range of 3 to 3.5 million people. Preliminary reports show that between December and February, participation increased 33 percent in sparsely populated rural areas, but only 7 percent in cities.

Historically, rural areas have had far lower participation rates than urban areas. A study conducted by the University of Mississippi in 1974 found that the elderly poor in rural areas had particular difficulty in participating. The Department has received reports from a number of State food stamp administrators in recent months that many elderly persons now appear to be entering the program.

It is important that the subcommittee understand that these new participants are not persons who are newly eligible. The 1977 act did not expand eligibility for food stamps; it reduced it. There are now over 3.5 million fewer persons eligible than before. The new participants have always been eligible for food stamps, but they did not participate chiefly because they could not afford to purchase the stamps.

Indeed, these new persons now coming onto the program are poor; in fact, they appear to be somewhat poorer than we had anticipated. They are not persons at the upper end of the food stamp eligibility scale. The low incomes of the new recipients are a factor in increasing food stamp costs. Since the new participants are, by and large, somewhat poorer than expected, they receive somewhat larger benefits than had been predicted.

The main reason, of course, that the benefits of the new EPR families are significantly higher than had been predicted when the 1977 act was passed is food price increases. The rise in food prices has significantly increased the cost of each new household signing up for food stamps.

While 17.5 million persons participated in January and 18.5 million in February and 19.1 million in March, the rate of increase has slowed significantly since then. Preliminary data indicate that 19.2 million persons participated in April, and that the May figure, when available, will represent little or no increase over the March figure.

Nevertheless, the fact that the new participants entered the program more rapidly than expected, and hence will participate for more months in 1979 than expected, is another factor with a cost impact.

Let me note in passing that program costs for fiscal year 1979 will be somewhat lower than they would have been had all program changes been implemented in October 1978, as originally planned, since the elimination of the purchase requirement will be in effect for 9 months of this fiscal year rather than 12.

Most States eliminated the purchase requirement on January 1. Implementation of the tighter eligibility and benefit provisions began on March 1. This was done for several reasons.

The administration had planned to implement both EPR and the eligibility changes at the beginning of the 1979 fiscal year. However, due to the complexity of overhauling all food stamp eligibility and benefit rules, and the leadtime States needed to implement them, this turned out not to be possible.

During the period for comments on the proposed regulations, States insisted they needed more time to implement eligibility changes due to the need to completely rewrite all manuals, retrain staff, redesign and print forms, and reprogram computers. Because the Department felt that insufficient leadtime could result in a

substantial increase in errors, States were allowed until March 1 to implement the new eligibility rules. This was the absolute minimum leadtime States said they needed.

But many States also commented that EPR could be implemented far more rapidly and was administratively simple. Therefore, they requested that EPR be implemented earlier. In addition, the Department, States and other commenters were concerned that EPR be implemented in time for the winter, with its increased heating bills. The Department received substantial comment that the purchase requirement creates the most severe hardship in the winter, when some poor families are forced to choose between paying heating bills and purchasing food stamps.

After the Department's General Counsel specifically considered and approved this approach, the Department directed the States to implement the elimination of the purchase requirement by January 1 and the eligibility and benefit provisions as soon as possible, but no later than March 1.

Two final factors increasing food stamp costs are inflation in nonfood costs and the recent flooding in several parts of the country. As shelter and utility costs rise, food stamp shelter deductions increase. In addition, the floods have necessitated the emergency issuance of food stamps to thousands of households, especially in Mississippi and Alabama.

For these reasons, the Department now estimates a need for \$6.809 billion in budget authority for the food stamp program in fiscal year 1979. With an additional \$338 million in carryover funds, this will provide available funding of \$7.147 billion. This represents the funding necessary to assure that across-the-board reductions do not occur this summer. This is very similar to the \$7.12 billion that CBO has indicated the program could cost in fiscal year 1979.

Section 18(a) of the Food Stamp Act limits budget authority for 1979 to \$6.159 billion. This falls \$650 million below the estimated funding need.

In accordance with provisions of the 1977 act, the Department is now setting up the machinery to reduce benefits or terminate the program this summer. On June 12, the Department issued regulations requiring all States to add a new final calculation into their computers that enables them to reduce benefits to all households by a specified percentage if the Secretary so directs. We will be requiring States to take these steps now, so that benefit reductions can be put into effect on August 1, if necessary.

If the food stamp authorization ceiling in section 18(a) is not removed and funds are not appropriated, we have two basic alternatives: Cut benefits in half for August and September or close the program down for the month of September.

The administration does not favor these alternatives. We strongly believe that the necessary funds should be provided so that food stamp benefits, which currently average 33 cents per person per meal, are not slashed for the elderly, the disabled, the unemployed, the working poor, and the welfare mothers and their children. These are the people who comprise the overwhelming bulk of the food stamp recipient population.

Food stamp recipients are poor. Over half of all families in the program have gross incomes of less than \$3,600 a year. Three-quarters have gross incomes below \$4,800 a year. This is well under half of the \$11,546 yearly income the Bureau of Labor Statistics reports an urban family of four needed in 1978 to live on a low budget. With these stiff cutbacks in the nutritional support that the food stamp program provides, these families cannot live without suffering.

While seeking legislation to change the food stamp cap provisions, the Department is also proposing legislation to make other basic changes in the food stamp program. The legislation is designed to reduce error and fraud in the program and realize savings. The changes we propose would save over \$150 million in 1980 and larger amounts in succeeding years. The centerpiece of these provisions is a major campaign to drive down food stamp error rates. The legislation establishes a system for imposing fiscal liability on States with high error rates that fail to reduce them below a prescribed target.

Our legislative proposal also provides States with more tools with which to lower their error rates. It provides a State option for monthly retrospective accounting and periodic income reporting. In areas with the necessary computerized capability to operate this system, important error rate reductions can be achieved.

The administration bill also provides States with more tools and incentives for antifraud activities. The bill requires applicants to provide social security numbers, and it would be an intention to give States access to social security wage records and unemployment compensation records, so that computer matching can be conducted and ineligibles weeded out.

The bill also requires that a person disqualified from food stamps for fraud must, as a condition of eligibility, repay the amount of stamps fraudulently received in order to be reinstated in the program after the disqualification period ends.

Finally, the bill provides that States shall keep 50 percent of all fraud claims they collect. This should operate as a significant incentive to recover more of these claims.

These provisions, which comprise title I of the bill, have been designed cooperatively with the Department's Inspector General.

Title II of the proposed bill removes the specific dollar authorization ceilings for food stamps in section 18(a) of the act. However, we wish to emphasize that we are retaining in full the language added in 1977 by the Congress in sections 4(a) and 18(b) of the act. This language places a clear congressional limitation on food stamp entitlements. The language specifically limits food stamp allotments in any fiscal year to the amounts appropriated for that year. If insufficient amounts are appropriated, benefits would have to be reduced. In this sense, Congress efforts to make food stamps operate more as a discretionary program rather than as an entitlement program would still be served.

The change we are proposing is simply to remove the specific dollar ceilings, and not to remove or undo the entire cap amendment. The experience of the past 2 years has shown that the specific dollar ceilings are not workable. It is simply not possible to

forecast the economy in advance with sufficient precision to establish rational ceilings.

These new provisions we are proposing are in addition to the many provisions of the 1977 act that tighten the program significantly.

We have received data from some States on the results of the provisions reducing the income limits and replacing itemized deductions with standard deductions. In Florida, 55 percent of the caseload had benefits reduced or terminated; most of these cases involved benefit reduction, not benefit termination. In New Hampshire, the figure was 80 percent. In Maine, 75 percent of the caseload was adversely affected, while 72 percent in Oregon were reduced or terminated. These are all States that converted their caseloads by computer, and hence have data available at this time on the impact of the new provisions.

Overall, several million persons will be subjected to benefit reductions or terminations. Significant benefit reductions are already taking place. We do not believe it would be sound policy to impose further, deeper benefit cuts, because food prices have risen faster than anticipated, and because more poor persons in rural areas are now enrolling for food stamp benefits for which they had always been eligible.

We are vigorously enforcing implementation of new income eligibility requirements. We directed States to implement the new rules for all new applications and recertifications no later than March 1 and to complete conversion of the entire food stamp caseload no later than June 30. These new rules have been implemented everywhere in the United States, with the sole exception of some counties in Wisconsin. The State of Wisconsin is now under fiscal sanctions from the Department.

In addition, the Secretary wrote last month to every State welfare commissioner in the Nation warning that he would take rather severe action if a State failed to complete the full conversion process on schedule. Savings from a full and timely completion of the conversion process have been figured into our estimates.

I would also note that the Department has proposed over \$500 million in reductions in other Food and Nutrition Service programs as part of the 1980 budget, and that the Congressional Budget Committee resolution incorporates many of these reductions. These reductions come from families who are far less in need than those on food stamps. For example, while about 12 percent of the population is eligible for food stamps, between 30 and 40 percent of all schoolchildren are eligible for free and reduced-price lunches. Our proposal for modest reductions in the eligibility limits for these meals would save \$165 million.

Similarly, we provide \$700 million a year in school lunch subsidies to families who are essentially over twice the poverty line. These families receive about as much per lunch in subsidy as the average food stamp recipient with far less income receives for each meal. Our proposal merely to reduce the school lunch subsidy for families in these middle and upper income brackets from 32 cents a lunch to 27 cents a lunch saves an additional \$146 million.

Authorizing legislation to bring about changes and resulting savings in the summer and WIC programs has already been adopted

by the full Senate as part of S. 292. We appreciate chairman McGovern's leadership on this issue, and the fact that the chairman has held oversight hearings on our budget recommendations. We certainly hope the chairman will give the committee and the Senate an early opportunity to consider our child nutrition legislative proposals which were proposed March 28 and which include additional budget savings, some of which are reflected in the first concurrent budget resolution, and also administrative changes.

Earlier, I noted how low the incomes of food stamp families are. These families also have few assets; 60 percent have no liquid assets at all; 64 percent do not own a car; 71 percent do not own a home. Elderly food stamp households are more likely to own larger amounts of liquid assets or homes than other food stamp recipients.

Sometimes we hear discussion of students or strikers receiving food stamps, but the number of students receiving food stamps has been steadily reduced in the last few years due to new provisions enacted by Congress. Students and strikers combined now comprise under 1 percent of the food stamp caseload.

Moreover, the majority of adult food stamp participants are either working full time or are unable to work because of age, disability, or responsibility for children or incapacitated adults. Only 15 percent of all heads of food stamp households are employable persons who are unemployed.

Six weeks ago, a team of doctors who had examined hunger and malnutrition among poor children in America in the late 1960's, and who recently conducted a followup study, testified before this subcommittee that the food stamp program has been a striking success in reducing the hunger and malnutrition that scarred many of America's poor areas 10 years ago.

The doctors reported a 33-percent decline in infant mortality, and stated—and I quote—"Infant deaths from diarrhea, influenza, pneumonia, and immaturity, many related directly to poverty and malnutrition, have declined 50 percent or more." These changes have not been due to any overall improvement in living standards, the doctors said, but rather to food programs and especially to food stamps. The doctors observed that, "The food stamp program does more to lengthen and strengthen the lives of disadvantaged Americans than any other noncategorical social program," and, "Is the most valuable health dollar spent by the Federal Government."

This Department is determined to run a tight, efficient food stamp program. The legislative proposal we are presenting will give us important new tools to reduce food stamp overpayments. But we do not support cutbacks in food stamp benefits. Such cutbacks would turn the clock back on the work of the past 10 years, work which, perhaps more than anything else done in this country over the past decade, demonstrates the compassion and qualities that made this country great.

I again apologize to you, Mr. Chairman and members of the committee, for the length, but I felt that we need to get the record straight, and we are prepared to answer the questions that come from the committee.

Senator MCGOVERN. Thank you very much, Mr. Williams, for your testimony.

Mr. Williams, does the administration support S. 1309, the bill that Chairman Talmadge, Senator Dole, and I sponsored?

Mr. WILLIAMS. Yes, sir.

Senator MCGOVERN. In your testimony, you state that the Department needs an increase of \$650 million. S. 1309, the bill that I just asked you about, is \$30 million short of that; we have asked for an additional \$620 million, which is the figure the House committee reported. Can you live with that figure?

Mr. WILLIAMS. I will let Mr. Greenstein refer to the discrepancy in those numbers.

Mr. GREENSTEIN. I think the difference is the difference between what we had estimated we needed to assure that there would not be any benefit reductions and what CBO estimated was needed to assure there would not be any benefit reductions.

On our analysis of this, the \$30 million difference does create a possibility, but only a very small one, that we would be short by that amount. That would be tied in with some significant upsurge in unemployment because of an early start of the recession at the end of the fiscal year. But, most likely, we think that \$620 million would be sufficient.

Senator MCGOVERN. So you are supporting that figure?

Mr. WILLIAMS. Yes, sir. When I was Budget Director in the Department of Administration in Florida, we had an expression that, "That is close enough for government work." [Laughter.]

Senator MCGOVERN. Mr. Williams, there is one thing I am a little confused about. On page 7, just a few lines from the bottom, you say:

The change we are proposing is simply to remove the specific dollar ceilings, and not to remove or undo the entire cap amendment. The experience of the past 2 years has shown that the specific dollar ceilings are not workable.

Well, what is the difference between a cap and a specific dollar ceiling?

Mr. WILLIAMS. Do you want to answer that, Mr. Greenstein?

Mr. GREENSTEIN. Again, as we tried to explain, Mr. Chairman, the cap amendment adopted in 1977 really had two fundamental provisions, sections 18(a) and 18(b). Section 18(a) was the specific dollar ceilings, section 18(b) really can stand alone, and what that says is that the food stamp benefits may not in any year exceed the sums appropriated. In fact, if the sums appropriated were less than the ceiling, that would still be all you get; the ceiling becomes whatever is appropriated.

What that appears to mean—and there has been a ruling, I believe, by the House Budget Committee on this front—is that the food stamp program, essentially, is probably no longer properly considered as an entitlement program, but rather as a discretionary program instead.

The change that we are proposing would not go back to the old structure of making it an entitlement program, but would retain section 18(b) and keep the limitation that funds are limited to the amount appropriated and that there is not a legal requirement for a supplemental appropriation. So we are keeping one of the two key parts of the original amendment.

Senator MCGOVERN. But you still have to live, then, with a specific ceiling, do you not?

Mr. GREENSTEIN. You end up having to live with whatever is appropriated. The difference is that the process is somewhat less cumbersome if economic circumstances change, rather than needing a change in authorizing legislation—

Senator MCGOVERN. You can simply get an increase in appropriations?

Mr. GREENSTEIN. You can talk to the Appropriations Committee, but in the past, I remember Chairman Whitten used to say that the Appropriations Committee really did not have any control over food stamps; since it was an entitlement program, they had to appropriate whatever was necessary. That is not the case now and would continue not to be the case under the change we are proposing.

Senator MCGOVERN. Senator Dole, do you have any questions?

Senator DOLE. I just wanted some clarification on all kinds of reports I've heard. We changed some of the provisions, including the purchase requirement which became effective January 1, and other changes which were not effective until March 1. I think you touched on that. Is there any reason why that was not done prior to that time?

Mr. WILLIAMS. Let me just make a general statement, and then I will ask Ms. Foreman or Mr. Greenstein to fill in the details.

Under the 1977 act, had the Department and the States been capable, the purchase requirement could have been eliminated as early as October. The decision simply did not get made in the Department and in the agency quickly enough to meet the October deadline. By the time they got around to the final rules, the winter was upon them.

They had met with the States and they found that the States could implement the elimination of the purchase requirement very easily, but when you started talking about the eligibility standards, it was very difficult. A decision was made at that time—and I arrived here in mid-January when the new Congress started—the decision was already made, and the process had started. That decision, as you look back on it, has had a greater impact fiscally than had been estimated both by CBO and the Department itself.

Senator DOLE. You are talking about the purchase requirement?

Mr. WILLIAMS. The purchase requirement. What happened was that many people immediately in January signed up who had not been signing up before; while it had been estimated that it would take 6 months to have that happen overall, it happened in virtually the first 3 months.

The second decision was the delay of the eligibility standards until March 1, which really required the States having to gear up and go back and redesign forms and to get their whole act in order and ask for that delay.

I would not want to mislead my compatriots here at the table, but had we implemented them both at the same time, it would have made much better sense, as you look back on it, but it would have made it quite difficult for an awful lot of people in December, January, February, and early March, who had escalating food prices that were not accounted for in the Food Stamp Act—and those are retroactive back for 6 months or longer—and also had winter heating bills that would have been on top of them. The

humane thing was done, but the fiscal soundness of it could be questioned. We could have done a better job of managing had we known that that was going to happen. We did not, and CBO did not think so either. But at any rate—

Senator DOLE. Have you had time to gage what impact the new eligibility requirements will have?

Mr. GREENSTEIN. Our estimate at this point is that the new eligibility requirements will result in an annual savings of about \$200 million a year, of which about \$100 million will be realized in 1979 since they are in for part of the year.

Senator McGOVERN. You mean a savings in administrative costs?

Mr. GREENSTEIN. No. I thought you meant in terms of the benefits.

Senator DOLE. Right; benefits.

Mr. GREENSTEIN. Due to the terminations and reductions—and, of course, some people did get increases—we are estimating from the data we now have an overall net impact, and CBO has about the same estimate, of about \$200 million a year in savings.

Senator DOLE. I noted before the increase in the program in rural areas. I know you do not have it with you, but it would be helpful to have that on a State-by-State basis, because I would like to know, very honestly, what is happening in Kansas. I should know; somebody may know in my office, but I do not know.

Mr. GREENSTEIN. We would be happy to supply that, Senator.

Senator DOLE. I think I understand why that is probably happening; I think it is time that it did happen. But it would be helpful to have the information in the record.

[The following information was subsequently received by the committee:]

The attached table shows, State by State, food stamp participation in December 1978 and in March 1979. These are the most recent State figures currently available.

Although these data cover the period immediately following the implementation of elimination of the purchase requirement (EPR), not all of the increase shown is due to EPR. Another cause which contributed to the increase in participation was rapidly rising food costs, which increased households' living expenses and also pushed up food stamp program benefits, thus attracting new food stamp recipients. In addition, the number of households certified to receive food stamp benefits but not participating in the program because they could not afford the purchase requirement has dropped.

FOOD STAMP PROGRAM PARTICIPATION, DECEMBER 1978 AND MARCH 1979

State	December 1978 (thousands)	March 1979 (thousands)	Percent change
<b>New England:</b>			
Connecticut.....	147.6	162.5	.....
Maine.....	102.2	130.0	.....
Massachusetts.....	476.7	596.0	.....
New Hampshire.....	36.3	43.4	.....
Rhode Island.....	66.5	77.9	.....
Vermont.....	34.9	40.1	.....
Subtotal.....	864.2	1,049.9	+21.5
<b>Mid-Atlantic:</b>			
Delaware.....	29.2	41.3	.....
District of Columbia.....	87.3	98.9	.....
Maryland.....	241.8	289.8	.....

## FOOD STAMP PROGRAM PARTICIPATION, DECEMBER 1978 AND MARCH 1979—Continued

State	December 1978 (thousands)	March 1979 (thousands)	Percent change
New Jersey.....	456.5	532.9	
New York.....	1,564.2	1,747.5	
Pennsylvania.....	804.9	961.6	
Puerto Rico.....	1,737.3	1,811.9	
Virginia.....	198.6	283.0	
Virgin Islands.....	28.0	31.6	
West Virginia.....	165.1	198.1	
Subtotal.....	5,312.9	5,996.6	+ 12.9
Southeast:			
Alabama.....	310.5	432.7	
Florida.....	701.6	733.3	
Georgia.....	395.3	498.3	
Kentucky.....	326.4	413.3	
Mississippi.....	311.3	429.5	
North Carolina.....	382.9	518.1	
South Carolina.....	249.4	328.3	
Tennessee.....	427.1	499.2	
Subtotal.....	3,104.4	3,852.7	+ 24.1
Midwest:			
Illinois.....	826.8	906.8	
Indiana.....	172.9	240.5	
Michigan.....	551.4	657.6	
Minnesota.....	130.4	149.8	
Ohio.....	651.2	718.0	
Wisconsin.....	139.7	194.2	
Subtotal.....	2,472.3	2,866.9	+ 16.0
Southwest:			
Arkansas.....	196.8	264.9	
Louisiana.....	370.9	456.9	
New Mexico.....	120.7	139.8	
Oklahoma.....	136.4	178.2	
Texas.....	848.9	982.2	
Subtotal.....	1,673.7	2,022.0	+ 20.8
Mountain Plains:			
Colorado.....	122.3	151.6	
Iowa.....	99.1	122.8	
Kansas.....	47.5	69.4	
Missouri.....	190.7	262.5	
Montana.....	23.5	35.0	
Nebraska.....	38.0	52.6	
North Dakota.....	13.7	18.8	
South Dakota.....	21.9	31.6	
Utah.....	31.6	43.8	
Wyoming.....	7.0	9.7	
Subtotal.....	595.3	797.8	+ 34.0
Western:			
Alaska.....	18.3	16.9	
Arizona.....	95.9	121.6	
California.....	1,221.2	1,442.1	
Guam.....	17.3	17.3	

## FOOD STAMP PROGRAM PARTICIPATION, DECEMBER 1978 AND MARCH 1979—Continued

State	December 1978 (thousands)	March 1979 (thousands)	Percent change
Hawaii .....	86.3	96.5	.....
Idaho .....	32.1	38.6	.....
Nevada .....	18.3	24.2	.....
Oregon .....	162.0	183.6	.....
Washington .....	187.1	238.0	.....
Subtotal .....	1,838.6	2,178.8	+ 18.5
Total .....	15,861.3	18,764.7	+ 18.3

Senator DOLE. Is this the absolute minimum—I mean, let us face it; the food stamp program is an easy target, and it is a rather large target, too, out on the Senate floor, or on the House floor—anywhere. I do not know how this figure was arrived at, but I assume that it took some deliberation.

What is going to happen when somebody offers an amendment to cut \$100 million or \$200 million out of this figure?

Mr. GREENSTEIN. I think if we cut money out of that figure, especially \$100 million or \$200 million, the odds are very great that we would indeed reduce benefits this fiscal year.

Senator DOLE. I am sympathetic, so do not misunderstand the question. But is that a fact—I do not say a threat—do you have evidence to back up that they would really cut the benefits in half in August and September?

Mr. GREENSTEIN. Cutting the benefits in half in August and September, or terminating the program in September, would occur if we do not receive any money at all above the cap.

Now, a \$200 million cut, that is about one-third of monthly issuance, so that could be a one-third cut of the benefits in September. There is some uncertainty still as to the exact expenditure requirements for 1979. We have pretty good data through April, some early data through May. There obviously are several months to go. There are still some questions as to exactly how many new people will continue to come into the program, exactly how many more will go off. The conversions are completed on July 1, and as I said, we have only scattered May data and we do not have the June data in.

Another big question mark is what will happen to the unemployment rate in August and September, in particular? As you remember from the past, each 1 percent in unemployment adds about half to three-quarters of 1 million persons to the food stamp program.

The final thing is that we cannot wait until the last minute to put it all together and see how much we have left. The States need leadtime. In order to instruct States to reduce benefits for the month of September, for example, we would need to tell them by about the middle of July, or shortly thereafter. So, in order to be sure that we do not violate the Food Stamp Act and the Anti-Deficiency Act, if we are not assured that we have the sufficient funds in the middle of July, we will have to err on the side of caution and order that the benefits be cut.

Senator DOLE. Now, are these figures based on the inflation rate continuing? Food prices have sort of leveled off, so we do not have that same escalation you were faced with a few months ago.

Ms. FOREMAN. The food stamp benefits are basically 6 months out of date anyhow, or 4 months. Those that will go into effect July 1 are based on food prices, according to the Consumer Price Index, for food in March. We will not have another change in benefit structure between now and the end of the fiscal year.

So the payments between now and October 1 are most reflective of where food prices were in March, and will continue to be.

Senator DOLE. That does not help much either, does it?

Ms. FOREMAN. I am afraid not.

Mr. GREENSTEIN. The March CPI comes out at the end of April, and we take that; in early May, we put out the new schedule for the States to implement July 1. So there is always a lag.

Senator DOLE. I understand the legislation is S. 1309, which Senator Talmadge introduced that the same day as S. 1310 that deal with the cap in fiscal year 1979 and fiscal year 1980. You are suggesting this be handled separately, and I also understand you prefer we did not add any amendments to the 1309, like increasing target prices for wheat and feed grains. [Laughter.]

You are not advocating that?

Ms. FOREMAN. Sir, we would be very distressed about anything that delayed very substantially the progress of this legislation through the Congress. We have already sent letters out to the State welfare departments directing them to begin programing their computers to handle a cut in benefits. We are stuck with a date of around July 15. If Congress has not acted by that time, we will have to tell the States to cut benefits in September. That is really the last—almost the last possible moment that we can take action and have them handle those cuts in order to avoid being in violation of the Anti-Deficiency Act, and I think that anything that delays this substantially will lead to those cuts.

Senator DOLE. I have used the figure in Senate debate that the average cost per meal is 33 cents—how was that arrived at? If it takes a long explanation—

Mr. GREENSTEIN. No, it is very simple. From all the data we collect monthly from States, we have an average benefit per person. They have all of the data on how much each household receives and how many persons it has, and so forth. So there is an average monthly per person benefit, and that is simply divided by three meals per day, and we get 33 cents per person per meal.

The average benefit right now is somewhere on the order of \$30 per person per month, and that works out to about 33 cents per person per meal.

Senator DOLE. That is all I have.

Senator McGOVERN. Senator Helms?

Senator HELMS. I believe it was on page 4 of your prepared statement that you stated: "The administration had planned to implement both EPR and the eligibility changes at the beginning of the 1979 fiscal year," and so forth—and I ask that that entire paragraph on page 4 be printed at this point in the record.

Senator McGOVERN. Without objection, so ordered.

[The entire paragraph from page 4 follows:]

The Administration had planned to implement both EPR and the eligibility changes at the beginning of the 1979 fiscal year. However, due to the complexity of overhauling all food stamp eligibility and benefit rules, and the lead-time States needed to implement them, this turned out not to be possible.

Senator HELMS. Did you notify anyone in Congress that this was an impossibility?

Mr. WILLIAMS. I am going to have to defer to—

Ms. FOREMAN. Those of us who were there.

Mr. WILLIAMS. I just did not get here that soon; I just cannot answer that.

Mr. GREENSTEIN. I think the answer is that we did, Senator, and I think staff from this committee and the House side—

Senator HELMS. How did you do it?

Mr. GREENSTEIN. I think the staff from this committee and the House Agriculture Committee will attest that we were in constant contact with the committees on what was going on. We published proposed regulations on May 2, 1978. Those regulations had a 45-day comment period, and suggested, as I recall, that about 3 months after final regulations were issued, these provisions would take effect.

At the point those regulations were issued, it was already clear, because that was May 2, that we could not have any of these provisions in effect at the beginning of the 1979 fiscal year.

Senator HELMS. Did you point out the enormity of the additional cost?

Mr. GREENSTEIN. Excuse me?

Senator HELMS. Did you point out the enormity of the additional cost as a result of your failure to implement both of these requirements?

Mr. GREENSTEIN. At that point, Senator, the enormity was in savings, not in additional costs. We were getting criticized by some members of the House Agriculture Committee, in particular, who were pointing out that there was over \$300 million in unspent funds, and that the fact that the failure to implement the elimination of the purchase requirement was actually causing substantial savings. So it was money that would have otherwise been expended.

Senator HELMS. I am going to get to that a little later, and I suspect there may be some debate about it.

Mr. GREENSTEIN. Let me go into this a bit; I think this is what you are really interested in, Senator—the budgetary question and how we looked at this. I would appreciate the opportunity, because this did not turn out exactly as we had planned, to go into this.

When we started, what happened—right after the bill was passed back in 1977—we were immediately deluged with requests to immediately eliminate the purchase requirement. We resisted those; we refused to do it. We were sued for refusing to do it. We took the lawsuit to district court and won. The suit was appealed to the appellate court; we took it to appellate court and we won again. We hung tough all the way through on that.

When the proposed rules came out on May 2, we again had the two provisions linked and implemented together. We received during the 45-day comment period in excess of 35,000 comments covering maybe 500 or more separate issues. It was a massive job dealing with all these and trying to do a responsible job. We found

that in some areas, we had in the proposals requirements that were difficult for the States to implement and we needed to change. Many of us—I, myself, personally read the comments from every single State at length, and we did make a number of changes.

At the point that the regulations were being finalized, it was now early September, and one of the biggest State comments was that there was simply no way they could do this in less than 4 to 5 months, all of the changes in eligibility and benefits; it could not be done. I think not only would we, as the Deputy Secretary's testimony indicated, have had an increase in errors if we jammed them faster, I think a lot of the States would have revolted and would not have done it, and I do not think they could have.

So, at that point, we really faced an alternative of delaying both the elimination of the purchase requirement and the eligibility and benefit rules until March 1, which would have been the second winter after passage of the act that we did not have the elimination of the purchase requirement in effect, and that troubled us some, and we got a lot of comments from the States that they could do EPR faster and they would just as soon do that.

There were two fundamental questions that then needed to be asked: A legal question and a budgetary question. On the legal question, we had a long meeting in the Assistant Secretary's office with the General Counsel, Sarah Weddington, the Assistant General Counsel, John Harris, and others, and they concluded that the proposal—the provision that we ended up with—was quite legal. That left a budgetary situation, and this was the main concern. During the budgetary analysis, both we and the Congressional Budget Office assumed—all the data seemed to indicate that there would be a fairly even phase in of the new people over a period of 6 months. We differed from CBO; they had an even slower phase in than we did—we had somewhat more people coming in up front. We also had \$338 million carryover from prior years, and finally, at that point, the projections for food prices showed nothing like the rapid increases they have taken over the past 6 or 8 or 9 months, up through the March figure that Assistant Secretary Foreman mentioned.

When we put that all together, the analysis at that point showed that the additional cost of doing EPR in January and the eligibility changes in March was very slight and was a small fraction of the savings you actually got from what you would have spent had you done them both on October 1. Given that and the carryover funds and the concern of a second winter, and the fact that we had been for over a year resisting putting the elimination of the purchase requirement in place until the other provisions were ready, we went and issued them together as final rule; we encouraged States to implement them together, but told them they could separate them by this period of January 1 and March 1.

Senator, we were as astonished as you and the members of this committee when we discovered, quite to our surprise and CBO's surprise, that virtually all of this increase occurred in the first 3 or 4 months. Our figures show for March, April, and early May that it is about level; it kind of went way up and then suddenly stopped. That was not what we had anticipated. We also had not anticipated

the big increase in food prices. We did not—and I reconsulted OMB on this; they obviously are interested—no one anticipated this kind of a budgetary impact.

I remember the first day that some of the people on my staff came to me in March and showed me what the first month figures under EPR were for January. I did not sleep very well that night, Senator. Had we known all of this, I think we would have done it differently.

Senator HELMS. Well, would you have stopped the flood of television public service announcements advertising for even more people to come in and get free food stamps?

Mr. GREENSTEIN. We have no requirement for television commercials.

Senator HAYAKAWA. Well, we hear them.

Mr. GREENSTEIN. That is a prerogative of the States.

Senator HELMS. Oh, baloney; it is a function of the Federal Government, and specifically the Department of Agriculture. Neither the television stations nor the State agencies dreamed up these announcements. They were inspired and promoted right here in Washington.

Mr. GREENSTEIN. In section 11, the act does require outreach. We have told States that there are a broad range of activities they may do, and some they need to do, like notifying social security recipients. But we made clear in the regulations—I think it is even explicitly stated in the preamble to the regulations—that there is no requirement whatsoever for TV spots. If a State does that, it is a legitimate expenditure.

Senator HELMS. Who made the TV spots?

Mr. GREENSTEIN. I imagine that most of the States would have made their own spots.

Senator HELMS. Well, they were made under the auspices of the Department of Agriculture, were they not?

Mr. GREENSTEIN. I am not aware that we made any TV spots.

Senator HELMS. Well, now, we will check on that, Mr. Chairman. I do not think there is any question about it; the Department of Agriculture used part of its budget to arrange for television public service announcements to advertise for additional people to come in and get free food stamps, at a time when you yourself acknowledge you have difficulty sleeping because of the budgetary result of so many additional recipients coming on the food stamp lists.

Senator HAYAKAWA. If the Senator would yield, I heard one of them just yesterday.

Mr. GREENSTEIN. On TV or on the radio?

Senator HAYAKAWA. On the radio.

Senator HELMS. They are on television and radio in North Carolina constantly. Now, you appear to be saying again what you said at a House subcommittee hearing last month, according to a representation made to me by a staff member. You stated before the House subcommittee that had FNS officials known what food price inflation was going to be in 1979 when you decided to separately implement the provisions of the 1977 Food Stamp Act, you probably would not have done that separate implementation. So that is what you are saying here today, is that correct?

Mr. GREENSTEIN. That is correct, but I would like to mention again, Senator, that had we gotten the regulations out a little faster and done both provisions on January 1, the extra cost would have been marginal, maybe \$30, \$40, or \$50 million. Had we had both provisions in on October 1, as originally planned and as I imagine would have been more of what this committee wanted for a faster implementation, the cost would have been greater than it is turning out to be during the current fiscal year.

Senator HELMS. Well, I had my staff research this subject and they advised me—and I will ask you if they are correct—they advised me that accurate forecasts existed for both the CPI for food and the thrifty food plan. In both cases, forecasts were made in September 1978 for March 1979. Is that so?

Mr. GREENSTEIN. That is incorrect, Senator.

Senator HELMS. With the Chair's permission, I want a comment from an Agriculture Committee staff member on that, because I want to be assured of the validity of that information provided to me.

STAFF. I contacted, Senator Helms, the FCS and they made CPI forecasts back in September 1978; they put it out and published it in the Agricultural Outlook. They published that the CPI would be 8 percent for March 1979; the same figure was used in March 1979 for that year.

Mr. GREENSTEIN. I am sorry; I have to quarrel with that. The Department of Agriculture uses, as all Federal agencies do, the official economic indicators prescribed by the President's Council of Economic Advisers and the Office of Management and Budget. Those indicators are fully reflected in the President's budget that was published in January, as well as OMB indicators published before that time.

I have a table here that I would be happy to provide for the record that shows that the estimates used in the thrifty food plan for March last fall were indeed lower than the thrifty food plan turned out to be in March.

STAFF. We do have that table.

Senator MCGOVERN. Well, I think that that should be made part of the record.

Senator HELMS. Also, Mr. Chairman, I want the staff to submit a detailed statement, whether they are right or whether they are wrong, as to this point. This is precisely what I am getting at, Mr. Chairman.

Senator MCGOVERN. Yes. Well, why do we not have both put into the record.

Senator HELMS. Yes, that would be fine.

[The following information was subsequently received by the committee:]

#### ESTIMATES OF THRIFTY FOOD PLAN COSTS

The attached memo and data were provided by the Department to Senator Helms' staff at their request on June 8, 1979. As indicated in the memo, the estimates shown are prepared by the Office of Management and Budget (OMB), based on the Administration's official economic projections. The Department is directed by OMB to adhere strictly to these estimates in its budget projections.

Senator Helms' staff subsequently asked the Congressional Research Service to verify the figures with OMB. It is the Department's understanding that the Congressional Research Service has reported that the figures represented by the Department as OMB's estimates are indeed OMB's estimates.

Senator Helms' staff also has stated that different data were obtained from the Economics, Statistics and Cooperatives Service (ESCS) of the Department. ESCS does not prepare official estimates of the Thrifty Food Plan Cost, nor if it did would the Department be authorized by OMB to use them for budgetary purposes. Most likely, the ESCS data being referred to in this regard are various consumer price indices. Consumer price indices are different from the Thrifty Food Plan Index. As prescribed by law, the Thrifty Food Plan cost in effect at anytime is anywhere from four to ten months behind the relevant consumer price index in terms of the period of economic conditions reflected.

OFFICE OF POLICY, PLANNING AND EVALUATION,  
Washington, D.C., June 8, 1979.

RANDY RUSSELL,  
Russell Senate Office Building,  
Washington, D.C.

Attached are the data you requested. The Office of Management and Budget computes these figures, based on the administration's economic projections, and then sends them to USDA quarterly.

It is interesting to note that the estimates from September 15, 1978, anticipated a 6.5 percent increase in the Thrifty Food Plan index from July-September 1978 to the same period in 1979. However, in the March 22, 1979, an 11.1 percent increase was expected, based on more recent information then available.

DAVID DE FERRANTI, *Director.*

Attachment.

THRIFTY FOOD PLAN INDEX

Period of Estimate	Date when estimate was released		
	Sept. 15, 1978	Dec. 21, 1978	Mar. 23, 1979
July to September 1978.....	191.78	192.09	191.30
October to December 1978.....	194.62	196.19	194.30
January to March 1979.....	197.96	200.60	204.30
April to June 1979.....	201.15	205.01	209.40
July to September 1979.....	204.34	208.95	212.97

Senator HELMS. Now, let me say this to all of you. I dislike being in an adversary position, but I have a responsibility as a Senator to try to do what I can to balance the Federal budget. This program is perceived by millions of Americans as one of the most corrupt Federal programs in terms of its implementation, not because of its intent, but because of the way it is so carelessly implemented.

I myself have seen violations that were just appalling. The Federal Government seems to have all sorts of computer services to tell about the glowing aspects of the program, but there seems to be a total incapability of getting to the waste and fraud that are distressing countless Americans who are working for a living and paying their taxes, and buying their own food. For example—

Senator MCGOVERN. Senator Helms, if you would yield on that point, I do not think that statement ought to be allowed to stand.

Senator HELMS. What statement?

Senator MCGOVERN. The statement that this program is regarded as one of the most corrupt programs in the—

Senator HELMS. Well, I suggest that you go out across America, George, and you ask—

Senator MCGOVERN. I have been out across America a lot.

Senator HELMS. I have, too.

Senator MCGOVERN. I personally think that this is one of the best programs that the Federal Government is operating.

Senator HELMS. Its intent is good, yes. The way it's being run is not.

Senator MCGOVERN. Not just by intent. I think that if we did not have a food stamp program to take care of the nutritional needs of some 19 million people in this country, we would have a disaster on our hands. I do not know of any Federal program that has met legitimate human needs any better than this one.

Now, I am sure that there are ways the program can be tightened up, but I have spent a lot of time looking at the food stamp program, and I think it is one of the most valuable and highly regarded programs we have on the statute books.

Senator HELMS. Mr. Chairman, I have no argument at all with you about the intent of the program. I share your compassion for the needy and the elderly and the handicapped. But you had better believe, Mr. Chairman, that the people of this country are getting sick and tired of going to the grocery store with their money which they work hard to earn, and seeing people use food stamps for some of the purposes that they are being used.

The point that bothers so many Americans, judging from the mail coming to me is, why cannot the Federal Government discipline this program?

Senator MCGOVERN. The point, Senator Helms, is that, as the Deputy Secretary has pointed out, most of these people in the program—the overwhelming majority of them—are poor people. I myself feel the frustration of seeing that supermarket basket cost go up every month. I know what you get when you pay \$50 or \$60 at the grocery store; it is getting to be smaller and smaller every month.

But what are you going to do with people that do not have the money to buy food when prices go to that level? I mean, if you have a food price index going to the level where it is today and you have 15 to 20 million people who are poor, how are they going to live? We do not have a guaranteed income in this country. How are they going to live?

Senator HELMS. George, I repeat; I have no argument about helping the truly needy; we agree on that.

Senator MCGOVERN. Yes, but most of the people are.

Senator HELMS. How do you know that?

Senator MCGOVERN. Well, you have your—

Senator HELMS. Do you take the word of the same computer that apparently misled the FNS into making a quarter of a billion dollar blunder?

Senator MCGOVERN. It seems to me that the place where they were misled is the same place where the Congressional Budget Office was misled. Now, I must say that I myself did not anticipate that as many people would come in as fast as they did under this program.

But ask yourself this: In terms of human values, what is wrong with poor people, primarily from rural areas, who were eligible for this program all along participating in the program? There are not any new people eligible for the program; we eliminated those at the top end of the scale. The reason those people did not come into

the program before is they were too poor even to put up that initial purchase requirement.

Now, if we had opened up something here under which the fatcats were coming in under new guidelines who had previously been excluded, I would be as alarmed as you are. But these are poor people; they are the poorest of the poor that came in under the elimination of the purchase price. We are eliminating the people at the top; we are taking out those who were on higher income levels, and bringing in people at the bottom, most of them from rural areas.

To me, that is not an example of government fraud; that is an example of the way government ought to work.

Senator HELMS. Well, you asked what is wrong with it, and I will tell you what is wrong with it. It is the fact that countless thousands of poor people who are working for a living and paying their taxes and paying for their groceries are going to the grocery store and seeing what is happening on the food stamp program.

Senator MCGOVERN. I know they are unhappy, Senator Helms, but I—

Senator HELMS. They are not only unhappy; they are justifiably unhappy.

Senator MCGOVERN. I do not think the unhappiness stems from the food stamp program; I think it stems from the high cost of living.

Senator LEAHY. Would the chairman yield?

Senator HELMS. Just a minute. I have the floor, and then I will yield it and the next Senator may have it.

Ms. FOREMAN. May I respond, Senator, to your statements, since I think you have made some that the Department should have the opportunity to respond to?

Senator HELMS. Well, you can when I get through, ma'am. I want you to do so. I shall be only a moment.

Ms. FOREMAN. Yes, sir.

Senator HELMS. The GAO, I would say, Mr. Chairman, says that the error rate in this program is 12 percent, the highest of any Federal program. Now, I want to ask Mr. Williams, just to clarify two or three things in my mind, do you agree that the cost impact is a limitation that should be considered in every program decision that is made? Is that right?

Mr. WILLIAMS. Yes, sir.

Senator HELMS. Now, if this program is being administered, as you contend, with a constant watch on program costs, why is there a regulation, sir, that prohibits food stamp offices from accepting the food stamps of a participant who tries to return them because he is no longer eligible for the program?

Mr. WILLIAMS. I do not know, but if you will give me the name of that office and the person, I will be happy to personally call them, Senator.

Senator HELMS. I understand that this has to do with mandatory adverse action notices, and it is number 273.13(b), if you will check on that and let me know.

Mr. WILLIAMS. If Mr. Dunlop will provide me with that information, I will personally make that call and I will call you.

Senator HELMS. If George Dunlop does not let you know, you let me know. I want to be sure that I get the information.

Mr. WILLIAMS. I will do that.

Senator HELMS. All right. When did the FNS first realize that there would be a necessity for a supplemental appropriation?

Mr. WILLIAMS. I believe it was March but I will let Mr. Greenstein make that determination.

Mr. GREENSTEIN. The President's budget, published in January, contained an initial request for a \$245 million supplemental. The indications that a further supplemental might be necessary began to appear in March, as we got data for participation in January, and I believe that by, I would say, the early part of April, it was clear that a further supplemental was necessary.

Senator HELMS. I have many more questions, Mr. Chairman, but I have used my time. I am going to yield back, but I would like to hear from Ms. Foreman, or whoever wants to respond.

Ms. FOREMAN. Yes, sir, if I could respond just momentarily, please. We proposed—we drafted in the Department and sent to the Congress in 1977 when this administration came into office a number of suggestions for tightening the food stamp program, which the Congress then enacted.

We reduced the total amount of income that you could have and be eligible for the program by \$1,200. We proposed that you be able to be eliminated from the program after an administrative hearing. We proposed restrictions on the ability of students to utilize the program. We proposed, and Congress approved, provisions that would have the Federal Government pay 75 percent of the cost of investigating and prosecuting food stamp fraud.

The Congress then added some additional restrictive provisions—provisions to fight error, fraud and abuse in the program. All of those provisions are being implemented; they are all being implemented vigorously. In addition, S. 1310, which was introduced the same day as this legislation, provides additional restrictive provisions to fight fraud and abuse in the program, including retrospective accounting and monthly reporting for some food stamp recipients so that they will have to report to the food stamp office on a regular basis what their income is so that we can know whether or not they continue to be eligible for food stamps.

As Secretary Williams pointed out in his testimony, we have asked for legislative authority to have access to certain wage and benefit records so we can run computer checks to see if people are on the program who have income from other sources that would prohibit them from being on the program.

We have asked for permission to return to the States 50 percent of the money that they recover when they investigate and prosecute food stamp fraud. I find it difficult to accept your statement that we have made no efforts in this regard, when we made those proposals to the Congress; you acted on them, and we have now made further proposals.

I want to point out that most of those proposals were made after we had consultation with our new Inspector General, who has been very vigorous in investigating and auditing various problems with the food stamp program. As he reported to the Congress in his semiannual report and as he reported directly to you, there has

been no agency, he feels, within the Department of Agriculture that has worked as hard as the Food and Nutrition Service has with him and his staff to reduce error and abuse in a Federal program.

He praised us in writing in his report and, as I recall, he did that in a meeting with you in your office.

Senator HELMS. Did you all write that part of his report?

Ms. FOREMAN. I think the Inspector General would find that to be an insult. The Congress created that office and made it independent of the Secretary in order to avoid just that. And I would hope that we are not going to be in a situation with Inspector Generals where everytime they say that an organization is cooperating with them that they will be challenged.

Finally, sir, I think it is important to note that the Field Foundation, which is not a Government-funded organization, has reported recently that after 10 years of the food stamp program, that it has succeeded.

Everybody likes to talk about fraud and abuse in Federal programs; it makes nice headlines. But what people do not talk about is that in my State and in your State, there are not hungry people anymore the way there were 10 years ago before there was a food stamp program.

I think that that is worth noting here. I think that our efforts to curb abuse in the program are worth noting here. You start out by saying you are very concerned about the Federal budget and, of course, the President is too, and he has proposed, as was noted in the Secretary's statement, several hundred million dollars in proposed cuts from Food and Nutrition Service programs in the child nutrition field, which the Congress has not chosen to act on as yet.

Those would substantially compensate for increases that are required in the food stamp program, so that we have a balancing of program cost in this area.

Senator HELMS. Say that again, please.

Ms. FOREMAN. The President's budget has proposed about \$540 million in cuts in various child nutrition programs which will substantially offset the necessary increases in the food stamp program. These are benefits that accrue largely to middle-income families and they are benefits that tend to be duplicative and, in our view, not necessary.

We went over the budget of the Food and Nutrition Service with a fine-tooth comb last year. We picked out programs that were not operating the way we felt they should operate, and we have proposed to the Congress to make cuts in those programs.

Congress has approved several of those cuts in the budget resolution, but not all of them, and there has as yet been no action in the Congress to implement any of those cuts.

Senator HELMS. Do you think the Congress will approve these?

Ms. FOREMAN. I certainly think the Congress should.

Senator HELMS. I did not ask you that. You know, this is a little game that often is played, Ms. Foreman. Various agencies recommend cuts that they know the Congress is not going to make. Then the agency says, "Well we tried to balance off the situation"—knowing that it would not in fact be balanced off.

Ms. FOREMAN. No, no; on the contrary, sir. We have worked very hard, and I think your colleagues here on the committee will testify to that, to achieve those cuts. We are working closely with Senator Bellmon and I think we are going to achieve them.

Senator HELMS. I am talking about Congress in general.

Ms. FOREMAN. I think Congress will vote a \$50 million cut in the WIC program. I think Congress will approve a \$47 million cut in the summer feeding program. The Senate approved those two cuts last week, and I think the House will approve them.

I think we will achieve a substantial cut in the eligibility rate from the child nutrition programs, and I would hope that Congress will have the courage to face the milk lobby and vote a reduction in the special milk program.

Senator MCGOVERN. Believe it or not, Jesse, I led the fight on the floor for some of these cuts; not with complete success, but nevertheless with a good heart.

Senator HELMS. Well, we will look at the dollars, and I want to come back either today or in the next meeting with some precise dollar assessments of this whole picture. I have more than consumed my time, Mr. Chairman, and I would like to move on.

Ms. FOREMAN. Thank you, sir.

Senator MCGOVERN. Senator Hayakawa, would you let Pat Leahy ask a question? He has to leave, and then we will turn to you.

Senator HAYAKAWA. Fine.

Senator LEAHY. Thank you, Mr. Chairman. I will not use most of my 10 minutes the way Senator Helms did; I have to bring up a bill from this committee on the floor at exactly 3:15.

You know, we talk about the matter of crime, and so forth, in the food stamp program. For 9 years, I was a prosecutor in Vermont. I prosecuted successfully more serious crimes and I obtained more convictions on serious crimes than any prosecutor in the State of Vermont before or since, Republican or Democrat.

I do not say that to wave a flag for me, and I have no intention next year of running for prosecutor again, so it is not the opening shot of such a campaign. I think the criminal element probably gave me a 100 percent margin of votes to get me out of town.

But the point of it is, Mr. Chairman, that throughout that time, I constantly heard of crime in the air. Everybody knew of the crime in the food stamp program; everybody knew of the crime of welfare recipients; everybody knows the crime of this, that or the other thing.

My answer was simply that our office had a very, very good reputation of almost always getting convictions, like a 97 or 98 percent conviction rate, and if people would just tell us what those particular crimes were, exactly who it was that was committing them, and give us some facts so our investigators could go out there and get indictments, we would prosecute them. We did not care who they were; if they were breaking the law, we would prosecute them.

You know, it is amazing; I do not think there was ever a time when I was prosecutor and I would give a speech somewhere that somebody did not stand up and say, "Well, what about all these people who are cheating on"—whatever it might be, food stamp fraud, or anything else.

I would say, "Well, I will tell you what; one of my investigators is here and you can meet out in the back room, very privately and quietly. You give us the exact name and where it was and we will go after them."

Having made that offer some 200 or 300 times, I think there was once that somebody came forward with any kind of information, and we followed it up and we got a conviction. I mention that simply because I remember testimony before this committee—a number of us were there—of an outside group, looking at this whole question of crime in the food stamp program.

They found that one of the most significant group of violators and one of the most lucrative ones were the very respectable bankers in a number of communities who were holding, without having to pay any interest, tens of millions of dollars of food stamp revenues for several days and being able to use the money in their banks, rather than depositing it immediately as they are required to under the law. Nobody ever came to me when I was a prosecutor, or to anybody else, and said we ought to go after them too.

As I said, my own background is such that I have demonstrated—I have not just talked about it—I have demonstrated my concern about crime, and criminals should be prosecuted.

But my feeling is, whether it is on this or if somebody is accusing a defense contractor of doing things illegally or accusing a Member of Congress or accusing anybody out there—that is fine. Bring the evidence forward and we will prosecute them. If the evidence is not there, we should go on to the specifics.

One of the specifics that I would like to go on to is the disturbing situation that is occurring in Vermont right now as a result of changes made in the 1977 Food Stamp Act. The act eliminated the itemized deductions for medical expenses and placed a ceiling on the allowable shelter cost deductions for food stamp recipients.

There has been a serious cutback in monthly benefits for many people, but particularly for the elderly. Now, I have received calls and letters from Vermont elderly and social security recipients, some of whom are only receiving \$10 a month for food stamps. If there was ever a group that should be protected by this food stamp program, it is this group living in our part of the country with very, very severe winters and very high costs of living; they are the ones who should be getting it.

I am just wondering, given the serious nature of the problem, if the administration would support congressional efforts to rectify this in the immediate future and help these extremely needy people. I know that there are going to be amendments that are going to come before this committee on Wednesday, I believe, that might help. Senator Stone and Senator Young, I think, have one amendment; there may be others.

Senator McGOVERN. What was your question again?

Senator LEAHY. Well, basically, I am wondering whether the administration has heard of these same things happening; the fact that the itemized deductions for medical expenses—

Senator McGOVERN. Would that be added on to this?

Senator LEAHY. Would the administration back efforts to change the situation that we are running into? The elderly and the very

poor—social security recipients, and so on—have really been cut back substantially because of the ceiling.

Senator MCGOVERN. Right.

Senator LEAHY. It is an open-ended question, I realize, without having the amendment before you.

Ms. FOREMAN. We are certainly concerned about those reports. The cuts in Florida have been large, and in Vermont, New Hampshire and Oregon. But we are also concerned about budget impacts of any further changes that would increase the participation in the program, Senator Leahy, or increase benefits to certain groups.

Without having a specific amendment and knowing what the budgetary impact of that amendment might be, we are hard-pressed to respond.

We do realize the problem; we would like to find some resolution for that problem. But we are obviously here today asking you to give us substantially greater funds for the food stamp program.

Congress does not seem to be in a mood to grant large new increases, and we are going to have to find some way to squeeze in between that rock and hard place.

Senator LEAHY. I would be very interested in procuring, Madam Secretary, from your office what will be the reaction of the Department to Senator Young's and Senator Stone's amendment.

Senator DOLE. That is a \$60 million amendment, I think.

Senator LEAHY. Prior to it coming up, I would be very interested in hearing that. I intend to support Senator Young and Senator Stone on that.

Ms. FOREMAN. In addition, before you came, Senator, I pointed out in response to Senator Dole that we would like to handle other changes in this legislation separately from S. 1309, because we are afraid that anything that impedes the progress of this legislation will cause us to end up cutting benefits.

We have to have some final action here and in the Appropriations Committee by July 15 at the very latest, or we are going to have to begin to notify the States to implement cuts in September in the food stamp program. We do have S. 1310 before the committee, and it would seem to me that a better place to debate the Stone and Young amendment would be with regard to that piece of legislation.

Senator LEAHY. Thank you. As I said, Mr. Chairman, one of this committee's bills is now on the floor and I will go manage it. Senator Hayakawa, I appreciate your yielding to me.

Mr. HAYAKAWA. Mr. Chairman, we are getting into a kind of polemics here that distresses me, but I wanted to start by a confession that I voted for the removal of the purchase requirement. I thought at the time that it was a thoroughly humane and practical thing to do, which is what I did. I am glad to hear from you, Ms. Foreman, that it now has reached a number of people who were not reachable by the food stamp program; that is exactly what I hoped for.

But at the same time, when the costs of the program are going up so dramatically, I just have to raise some questions.

Ms. FOREMAN. Surely.

Senator HAYAKAWA. The food stamp program started, if I remember correctly, in 1964 to serve about 100,000 people at a cost of \$650 million. Am I correct?

Mr. GREENSTEIN. That is correct, Senator, but I believe that it was only in something like 8 or 10 counties, or something like that.

Senator HAYAKAWA. Wherever.

Senator DOLE. We had commodities, too.

Mr. GREENSTEIN. Five to seven million people in other counties were receiving commodities; that is correct.

Senator HAYAKAWA. In any case, we are now talking in terms of \$7 billion to serve 13.2 million people, not just simply 100,000 or 200,000. The fantastic growth of this program is, if I may say so, from the point of view of the democratic administration and Democrats now in office, disastrous, because the food stamp program and its abuses, however much good it has done—its abuses have a dramatic kind of quality about them that pass around as gossips, as rumors, as things to scandalize over.

Let me give you an example. I have a letter here from an old friend up in Sonoma County. It says, "Dear, Senator, it has been many years, but you might remember me as a former owner of the No Name bar in Sausalito." I do remember him. "We have many mutual friends in common," et cetera.

Do you remember me? Neil Davis.

At any rate, after establishing some prior relationships as a basis for this letter, I would like to share with you my objections to the food stamp program—

He is now a grocer—

As I see it practiced. I am now in a business where I am required to deal in food stamps, and most of the customers who use stamps in my store do not, in my opinion, qualify and grossly abuse the system, and that means they abuse the taxpayers.

The grossest example would be with the bottle waters. Whether it be Perrier, which it usually is, or Crystal Springs or Q2 or Calistoga, they can buy that expensive H<sub>2</sub>O with food stamps and I must give them cash change, which they in turn use for a non-food stamp item. It is done repeatedly and I think it is a rip-off.

My store is adjacent to a health spa. The people with food stamps pay to use that spa, which is a luxury; pay to have a massage, a luxury; pay to buy two-dollar-a-pack herbal cigarettes, a luxury. They pay for expensive hair colorings and conditioners, also luxuries, and then buy a bottle of Perrier, or a six-pack of Perrier, with food stamps. This is a rip-off of my tax money.

I have one customer who uses food stamps in my store for nothing but candy bars, ranging in price from 35 to 60 cents. He buys six at a time a day. Is that what the program is about?

Repeatedly, I am forced to divide up the luxury items on one side of the store and all the food stamp items on the other. Many items have to be considered luxury; we have to have fancy blended herbal teas. Is that a food stamp item? I thought food stamps were for people with a legitimate need.

As I see it practiced in my store, in about 60 percent of the cases they only have legitimate need because they spend their money on luxury items. The essence is, as long as they can buy Perrier water and get 50 cents change in cash, the program is a failure. Sincerely, Neil Davis.

Now, I am not going to say that this is characteristic of the entire food stamp program, but I tell you this is deadly propaganda against the excessive spending of the democratic administration. It can be used against you, and it will be used against you.

Therefore, to add an additional \$620 million this year to finish out the food stamp program is going to look scandalous to a lot of taxpayers, even if you can justify it. However, according to the men and women who actually handle the program, the county workers

in California estimate that fraud and abuse comes at the rate of some 20 percent of the people who receive food stamps. Now, that is their estimate.

It includes illegal aliens who are not legally entitled to them, but no questions are asked. They complain constantly that their hands are tied in trying to straighten out the system, and their hands are tied because of the regulations issued by the Federal Government as to what they may or may not do.

Now, I am not, as I hope I made clear, arguing about the people who really need food getting it. I still do not entirely regret having voted for the removal of the purchase requirement, because as you say, it has really reached people who never have been reached before and they need to be reached. But there are no controls in the system, apparently, at certain levels so that the program is being abused.

So long as this kind of letter from my friend, Neil Davis, can be published in the San Francisco Chronicle, you are going to have a wave of indignation the moment we pass that \$650 million additional appropriation you want for the coming year. So I have to ask a question like this: What happens next?

Mr. Williams, you knew at the beginning of this fiscal year that there was going to be a certain amount of money available for the food stamp program, but I see no evidence that you planned accordingly. I see no evidence that you acted in anticipation of running out of the money, and the fact that you need another \$620 million to finish out the year—you just went ahead with the program and then decided to come to us for that additional \$620 million.

Now, I do not doubt that according to your criteria, you need it, but this is suicidal from the point of view of your party and from the point of view of credibility of our whole Government, not just your party.

Mr. WILLIAMS. Senator, I appreciate your specific reference with the letter, because I just finished making two trips on the Department's interest into, first, Kansas City and to Denver to discuss with the energy people and the transportation people there the problem we are having in diesel.

I read with interest a great deal of stories about farmers being out of diesel in the field. At a press conference, they pushed me very hard on it and I said, "If you will just give me the name and address of any farmer out of fuel, in the morning we will have somebody from ASCS in that county office visiting that farmer." It helps to identify those specifics.

We can solve a problem when we know about it. If you will share that information with me, I will see that we immediately start an investigation in San Francisco, and if need be, the Auditor General and Inspector General will be there.

But aside from that, we have done some other things, such as increasing the return to the State of California of 50 percent of the money they collect from these fraud cases. It is 100 percent Federal money for the program, and 50 percent for administrative costs of the program and the States also put up 50 percent.

It has long since been my belief that you will not get good prosecution at the county or at the State level until you reward the State or the county by giving them some of those dollars they

recover, because they are not interested in spending money at the local level to recover 100 percent of the money for the Federal Government. I think that is a very strong change that has been made in the law that will be very helpful in the prosecution.

Senator HAYAKAWA. The change has been made in the law?

Mr. WILLIAMS. Yes, sir, and it has in our rules.

Ms. FOREMAN. We proposed it.

Senator HAYAKAWA. Pardon?

Mr. WILLIAMS. We proposed it to you.

Senator HAYAKAWA. You proposed it?

Mr. WILLIAMS. Yes, sir. I thought it had already been enacted in the last one, but we are dedicated to that because we cannot get prosecution unless we do have some incentive for the States, and I think that is one answer. The other one, which I would have to say I covered in my remarks, and they were rather long, before you came, which dealt with the problem of overspending in the current fiscal year, had to do with a decision that was made to go ahead with the elimination of cash requirements in January, but at the same time not establishing the new eligibility standards and having them enforced until March 1.

The impact of that was expensive, because more people came into the program than either we anticipated or the Congressional Budget Office anticipated. But we are, in essence, trying to do the best we can, Senator, and we will appreciate sharing information with you to see if we cannot help eliminate that kind of problem.

Senator HAYAKAWA. Thank you, Mr. Williams.

Senator HELMS. If the Senator will yield, let me suggest that the Department of Agriculture Food and Nutrition Service arrange for another television announcement and put it out on a public service basis to invite citizens seeing specific violations of the law to report them to you.

Mr. WILLIAMS. Senator, I would not tell you that it is against the law to do that. I am sure there can be some arrangement made, but it would help us immensely if you will see that we get that money back to your State and your State spends that money for prosecution of the Federal case. It would be very helpful to us.

Senator HELMS. Well, I am determined to go after this business of fraud, because that is the problem. There is not a soul sitting around this table who begrudges one nickel for the truly needy and the deserving—the elderly, the handicapped, and so forth.

But there is not any illusion out there about what is going on in the food stamp program; it is a reality that citizens are seeing every day. I could tell you some things I have seen myself. I have not seen many, because I do not go to the grocery store that often, but I have seen them myself in little towns in North Carolina. I have had grocery store operators apologize to me for participating in deliberate fraud, but as one of them said, "My store will be burned down this evening if I refuse to let these people abuse the food stamp program." That is the sort of thing that rankles citizens all across the country.

Senator McGOVERN. Senator Helms, would you yield on that point?

Senator HELMS. Yes, sir.

Senator MCGOVERN. I heard Mr. Williams say that he would welcome you reporting these abuses, and he told Senator Hayakawa the same thing. I would like to make a proposal to the committee, because I obviously have been concerned about these reports of fraud in the program.

Senator HELMS. I know you have.

Senator MCGOVERN. Two years ago, Senator Dole and I, after I think you could say exhaustive hearings, developed a bill that we thought would correct the abuses in the program. It was really a fundamental reform of the food stamp program; it was enacted into law overwhelmingly.

It addressed what we identified at that time from the testimony the kind of abuses that you are talking about. I do not think there is any question but what we have eliminated a lot of these abuses. Now, obviously, the reports persist; the kind of letter that Senator Hayakawa just read.

I would like to propose that the subcommittee go out in the field and take public testimony on some of these abuses. I would think we ought to go to California, Senator Hayakawa; I think we ought to go into your State.

Senator HAYAKAWA. That is a terrific idea.

Senator MCGOVERN. I think we ought to go to North Carolina, and go to any other State that members of the committee want us to visit. I am willing to change my schedule in any reasonable way; I will even go during the recess periods, or whenever we can work it out. If we could go out during the break either in July or August, or whatever members of the committee want, I will personally give my time to taking the subcommittee out, within reason, to any State where you want us to visit.

We will get the input of the home State Senator as to who the people are that ought to be heard, and let us look at some of these charges that are made. If there is widespread abuse and error in the program, one way to uncover that is to go right out into the field and let local people who know what is happening out there testify.

But if that is agreeable to the committee, I would like to propose that, and any Senator that wants to speak to me about a hearing in his State, we will get the staff working on it and get some input from the local people and from the Senator that is concerned. I think maybe this would help allay some of the problems.

Senator HAYAKAWA. I will take you up on that.

Senator MCGOVERN. All right.

Ms. FOREMAN. Could I respond to one part of Senator Hayakawa's question?

Senator HAYAKAWA. Yes.

Ms. FOREMAN. We realize that there is abuse in the program. The fact is that we are working very hard to reduce that abuse. I think that when you read S. 1310, you will see that we have, we believe, developed an additional group of proposals which we have developed during the 2 years we have been running the program that we think will take additional steps to reduce abuse.

I think perhaps the most important one there is an error rate sanction system on the States. This program is administered by State welfare departments. As Mr. Williams pointed out, it is all

Federal funds and we have found—I found personally that States, because they do not have any of their own money invested in this particular program, sometimes do not assign their best caseworkers to dealing with this program.

So we have proposed to the Congress that you enact a system in which States would be required each year to reduce their error rate by a certain level. We do a statistical sampling of cases in a State and we determine on that basis what the error rate is.

In our proposal, a State that has an error rate above the national average would be required, in the first year, to drop it down and, in the second year, to drop it below that. To help the States do that, we are proposing additional tools; the monthly accounting for some families, basing benefits on a preceding month's income instead of the next month's income.

We think that all of those things will be beneficial. But, Senator, the price of the program is tied to nothing the way it is tied to food price increases. Each 1 percent increase in the Consumer Price Index for food raises the cost of the food stamp program by \$50 million. The food stamp program needs an extra \$600 million because the price of food has gone up so much during the last year.

If the old program were in effect, we would still need this money because of food price inflation. On the other hand, if the food price inflation had been what we projected it would be, we could have this increase that we did not expect and we would not need any more money.

The thing that is causing us to ask for money is the increase in food prices. Neither the administration nor the Congress have found very good ways to control the price increases for food. I talked to you about elimination of the purchase requirement and you were persuaded to vote for it, I think, because you believed that it would bring in these very low-income people, and it has been successful in that regard.

The law prohibits us from cutting benefits, except across the board. Those people will lose along with everybody else if the program does not get this additional money. I do not think that you would want that to happen. The poor are not responsible for food price inflation, and I think it is wrong that we would make them pay for it.

On the other hand, we join you completely in a desire to see the abuses of the program eliminated, and I think our new proposals will do that.

Senator DOLE. Mr. Chairman?

Senator McGOVERN. Yes, Senator Dole?

Senator DOLE. I might suggest that if we have hearings on fraud and abuse, or whatever, we ought to include also in the scope of the hearing the impact of the amendments. I think we are going to find, as we already have—I know Senator Stone, Senator Young, Senator Leahy, and others are aware we are now feeling a pinch in the other direction where you are taking benefits away.

I think that on the one hand, we ought to take a look at abuses, and then see if maybe we have been too stringent in some of the cases. You are right, we have spent a lot of time at a lot of hearings. For better or for worse, whether you are for the food stamp program or against it, I think the record will reflect that

most of the growth occurred during Republican administrations. That has been called to my attention by a fellow named Matz. [Laughter.]

Participation rose to about 18.5 million in 1976, and that was before we eliminated the purchase requirement. It went from 2,878,000 in 1969. I think maybe I will just put this in the record, because I think the record should reflect concern in both administrations. I think that efforts were made in the war on hunger and other areas in the Nixon administration. I remember Secretary Butz being in the hot seat just like you are, and we were beating him over the head about abuses and fraud.

I remember Senator Curtis had an example of an ad in Parade magazine, which said, "Qualify for food stamps and make \$40,000 a year." So, you know, it has not changed. What has changed is, that we have started to tighten up and eliminate the fraud and abuse.

There is a bipartisan concern to make certain that we take care of those who need the assistance, and where we can, we need to eliminate those who should not be in the program. I think that might provide some information for someone.

Senator McGOVERN. Without objection, then, that will be made part of the record.

[The following was received by the committee:]

## PARTICIPATION GROWTH IN FEDERAL FOOD ASSISTANCE PROGRAMS, FISCAL YEARS 1969-78

(In Thousands)

	1969	1970	1971	1972	1973	1974	1975	1976	Transition quarter	1977	1978 (pre- liminary)
A. Family food assistance programs (monthly average):											
1. Food stamp program-----	2,878	4,340	9,368	11,103	12,129	12,896	17,063	18,527	17,315	17,058	16,044
2. Commodity distribution program (needy families)-----	3,611	3,812	3,756	3,438	2,660	1,982	330	80	72	82	91
B. Child feeding programs (peak):											
1. National school lunch program:											
(a) Total (sec.4)-----	22,079	23,127	24,640	24,941	25,164	25,019	25,289	25,857	25,104	26,949	27,066
(b) Free (sec.11)-----	13,334	14,787	5,421	7,612	8,586	9,007	9,595	10,341	10,020	10,934	10,505
(c) Reduced price (sec.11)-----	330	573	899	499	199	300	599	900	993	1,314	1,558
2. School breakfast program-----	40	93	176	216	225	377	457	463	2,141	2,605	2,897
3. Child care food program-----	99	227	569	1,205	1,437	1,403	1,785	2,454	3,467	2,781	2,464
4. Summer food service program for children <sup>3</sup> -----	2944,423	2901,931	2569,975	2498,215	2560,711	1425,923	2138,993	2305,143	313,429	2247,415	2011,855
5. Special milk program (half pints) <sup>3</sup> -----											
6. Special supplemental food program for women, infants, & children (WIC):											
(a) Women-----	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	206	498	592	656	1,011	1,320
(b) Infants-----	-----	-----	-----	-----	-----	38	77	98	118	202	274
(c) Children-----	-----	-----	-----	-----	-----	62	151	146	162	261	345
C. Nutrition program for the elderly-----	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	41	195	1,277	1,723	667	2,855	2,745

1 This figure represents a combined total for free and reduced-price meals, separate data are not available

2 Program not in existence

3 Cumulative half-pints. Participant measures not available.

4 The food stamp program first became a national program in July of 1974.

Source: Library of Congress, Congressional Research Service.

Senator MCGOVERN. While we have a little time here, the National Council of State Public Welfare Administrators has written us on this matter, too, under date of June 11, and I would ask unanimous consent that their letter, together with supporting documents, be made a part of the hearing record.<sup>1</sup>

Senator LUGAR, you have not been heard from today.

Senator LUGAR. Mr. Chairman, I would like to raise this general question. There has been preoccupation, understandably, with potential for fraud or actual fraud, and I suspect that the question I want to raise is more fundamental and probably a more extensive question. Philosophically, what is your counsel as to where the program is headed? By that, I mean what sort of coverage should America have with regard to the food stamp program?

Philosophically, what percentage of people ought to be involved in coverage? I raise this because it appears to me that a larger and larger group of Americans are becoming eligible for food stamps.

Ms. FOREMAN. Three and a half million people fewer are now eligible than before you passed the 1977 act; there were 3.5 million people who were cut off. None of those who have come on now, Senator Lugar, have been made eligible by the 1977 act. They were always eligible; they were too poor to participate. So you have moved to restrict the program since 1977.

Senator LUGAR. Well, perhaps; I am not sure. The point that you make is well taken. It could be that all of the eligibility standards always encompassed a greater percentage and many did not know about the program that now participate or, as you suggested, were too poor to participate, and maybe lack of knowledge and poverty intertwine at that point.

I simply raise the question that it would appear that the argument has often been made—and this was being made with regard to the elimination of the cap for fiscal 1980 before we got into the 1979 problem—that an increase in unemployment was contemplated during that fiscal year, in addition to the increases in the price for food.

Clearly, during this particular year we have had a pretty steady unemployment situation; maybe a slight improvement. There are other factors, of course—the change in eligibility, the rush of additional persons on the rolls, and the food price question.

I am reassured in a way if you believe statistically that there are fewer persons eligible because, of course, if the other situation is true, it occurs to me that our liabilities could be increasing as time goes on.

Ms. FOREMAN. Sir, if I could respond for one moment and then ask Mr. Greenstein and Mr. De Ferranti to expand a little on the numbers of people who are now eligible.

Senator LUGAR. Sure.

Ms. FOREMAN. The food stamp program expands and contracts with the health of the economy. Senator Dole pointed out that one of the major expansions was in the early 1970's as a result of the 1970 Food Stamp Act, and then a period of very high unemployment and very rapid food price increases.

<sup>1</sup> See p. 66 for the above-referred to letter and attached material from the National Council of State Public Welfare Administrators.

In 1976 and 1977, the food stamp program actually declined in cost, even though food prices were continuing to go up at that time, because from the time we came in until the new program was implemented, there was a fairly steady decline in the number of people receiving food stamps. The economy was doing rather well during that period; food prices were fairly stable.

The food stamp program, to me, has the benefit of being flexible enough to respond to unanticipated and unfortunate swings in the Nation's economic life. So if you ask me, philosophically, how many people should there be on food stamps, I think my response is that we should structure a program of limited eligibility in terms of income and we should do everything possible to prevent fraud and abuse in the program. But it should remain flexible enough to absorb those people who may need the program because of these unintended, unexpected, unfortunate changes in the Nation's economic life.

If unemployment goes up to 7.5 or 8 percent, I would not like to think that the food stamp program could not react to be of assistance to those programs. This year, incidentally, the program was flexible enough to take care of those people in Mississippi and Alabama who suffered enormous loss from flood.

The Governor of Mississippi came to my office recently and asked, "Can you not extend the eligibility to some of those people in Mississippi for another 30 days? There are floodwaters in their houses; they do not have any jobs because their places of work have been flooded."

It strikes me that that is exactly what Congress intended to accomplish in this program. Could I ask them to say a couple of more words about the eligibility situation?

Senator LUGAR. Yes.

[Whereupon, Senator Helms assumed the Chair.]

Mr. GREENSTEIN. I was just going to say, Senator, on the historical issue, I think it is of interest that Senator Dole was referring a few minutes ago to the growth in the early 1970's. By the end of 1971, the program had reached about 15 million people in the 50 States and the District of Columbia.

It is interesting that that base level stayed pretty much the same, barring changes in the economy, all the way through until a few months ago. The program did go up to over 19 million in 1975 as a result of the recession, but then it came well down again.

This is really the first 3 months of the new law, with perhaps a more basic increase in the program level since back then. And, again, it has now leveled off; it appears that March, April, and May figures are all just about the same. It is interesting that in about 1976—we talk of the estimates here being too low—in about 1976, the Ford administration's official estimates for the next fiscal year was \$7.3 billion. The program ended up that year costing about \$5.6 billion. In fact, we are just now getting back to the level, and maybe a little below it, in 1979 that they had predicted then.

There was that 3-year period, and while most of the Federal budget was going up significantly, food stamps were actually, in dollar terms, declining and, in real dollar terms, declining significantly.

The final point I would just make is that the number of persons we believe are eligible nationwide—and there will always be many eligible who do not participate—is somewhere about 28 million. We have nearly that many people who are below the poverty line still in this country.

Senator LUGAR. Now, on that question, of course, there is considerable debate as to the poverty line and what sort of incomes enter the lives of people. Now, one of the arguments that is often used, and it is a very persuasive one, is that, as you have said in the testimony today, if over half of the families in the program have gross incomes of less than \$3,600 and three-quarters have less than \$4,800, this is very severe poverty indeed; I think that is unquestionable.

But I think, statistically, it is not at all clear that, in fact, the income picture for these families is that bleak, and I state this simply because there are other governmental programs entering the lives of many of these families, on which dollar amounts of income as reported on W-2's do not occur, but very definitely change that picture.

The case could still be made that if \$3,600 is doubled, this is still a low income for a family of size, and I am willing to grant that. But I think that what we are going to have to try to do, if we are to have an honest argument on coverage of food stamps, is to come into a better idea of income in kind of all the entries of various programs into the lives of people—not only nutritional programs, but housing programs and others—because otherwise it seems to me that the thing lacks credibility.

That 28 million Americans are in poverty is a relative situation. I would grant that the 28 million, maybe, who are eligible are the poorest of the 215, but it gets back to my original question, and that is, philosophically, what percentage of the population really ought to qualify.

As a point in equity, for example, if the lowest 20 percent of people in terms of income in this country qualify, a good case could be made for the next 20; that people who are on the margin of the program, in equity, are paying for the lowest 20. It is not simply a question of the wealthiest 20 giving up a part of their income to pick up the lowest 20.

I say this because I think that unless we are careful, a constituency of poor people for food stamps that is compassionately based, and correctly so, may, in fact, grow into a majority of people who believe that there is an entitlement here; that is, it is a wealthy country and that a redistribution of the wealth, in fact, might occur through this program as well as through any other.

I think it is going to be very difficult to reduce benefits for anyone, as the numbers of those who are receiving the benefits becomes larger.

Now, what are to be the limits? If we are to dispense with the cap, for instance—and I argue that we ought to hold the cap, because I want somebody to try to wrestle with this question. I think we are on the threshold, to be truthful, of simply dispensing with the cap and dispensing with everything.

I think, essentially, we are not going to be careening wildly out of control. You are reassuring me that there are some limits to the

thing. I am not altogether reassured, but I am listening. I am trying to figure out where the boundaries of this are and, politically, what the trend of it is.

I see, I think, a lot of problems here that I am hopeful you are wrestling with philosophically, even as you look at the technical ones, of how we are to pick up the tab for the particular year that we are in.

Mr. GREENSTEIN. Senator, I would like to make a few comments. I think I perhaps see a somewhat different political perspective. I think if one looks back over the last few years or past decade, for that matter, at the history of public assistance programs, normally when there is a change in a public assistance program, there is a grandfather clause. There has been a basic principle that nobody can be worse off.

The 1977 Food Stamp Act broke with that dramatically. The political trend there was that indeed there were several million people who did suffer a reduction in benefits to offset, in part, the cost of the elimination of the purchase requirement. But that was a substantial change from what has happened in the past.

In terms of, if a certain percent are eligible, why not the next percent, I think that reasoning would apply in a program that has one benefit for everybody who is eligible, and there is a point at which you go over that limit and you get nothing. But that is not really how the food stamp program works.

It starts with the cost of the thrifty food plan being a benefit for a family with no income and it phases out evenly. So the eligibility actually stops at the point where the benefits stop anyway. The higher the income, the less the benefit, and then the two lines cross and that is the end.

The only way you could keep the program structure and make more people eligible is if you also increase substantially the fundamental benefit, change the whole structure of the program and double or triple the cost. I think you know more than we the chances of any political likelihood of that occurring.

I guess the final point I would like to make is that we certainly are aware as you are of this discussion of benefits from these programs, but that is a very troublesome and complicated one. The other programs which provide the largest dollar expenditures are medicaid and medicare.

It is obviously very difficult to take medicare and medicaid expenditures, most of which go to medical providers, divide them by the number of eligibles and assign that as an amount that is really income to someone. I had sat in for a while on some of the meetings the President's task force had early in the administration on welfare reform, and this question came up. I think the final word on it was when one of the participants said, "Well, people cannot really eat their wheelchairs." We cannot really consider the cost of the wheelchair as some money they can buy food with or do something else with.

So it is true that there are some other programs there, but it is difficult to simply consider that as cash income.

Senator LUGAR. I appreciate that, and that is the reason we are wrestling back with those things that we can enumerate and quan-

tify. In terms of equity with the public as a whole, I do not think this is altogether still a satisfactory situation.

I think we are really going to have to wrestle with that, or at some point I am persuaded that the food stamp program, along with each of the other income streams, really ought to be cashed out and that we really ought to take a look simply at the total family and the total income in equity, as opposed to having these separate categorical situations. But that is another debate for another time.

I think that the politics of it for the moment are that no one in America wants people who are very poor and who are unemployed, and so forth, to be without nutritional benefits. So I have no doubt that essentially the program is going to continue, and I really have no doubt that it is going to continue to thrive.

What I think Americans are also asking, though, is what are the equities of this situation; what sort of income redistributions are occurring and what sort of assumptions are being made? If the case is being made for poverty and compassion, then it must be made as honestly and directly as possible.

I think that we shall have to make a better stab at what is occurring, really, in terms of public welfare of all sorts and income supports, before it is credible for those who are working Americans right now that this is purely a compassionate program for those who are disabled and in difficulty in our society.

I appreciate, as always, the chance for dialog with you.

Senator HELMS. Senator Melcher, do you have questions?

Senator MELCHER. No; I do not, but thank you, Mr. Chairman.

Senator HELMS. Let me just ask one more, and you can decide who will answer it. It has been stated frequently here this afternoon and previously that the poorest of the poor have come on the food stamp rolls as a result of eliminating the purchase requirement.

Now, what do your computers really say about this? Did we not have, prior to the existing situation, what was called a variable purchase arrangement? Is that right?

Mr. GREENSTEIN. We did, although it was very little used.

Senator HELMS. And that meant that recipients could buy one-fourth or one-half or three-fourths of their allotment according to their own judgment, is that right?

Mr. GREENSTEIN. They could, but if, for example, they only purchased a quarter, they lost either another quarter or the other three-quarters and had no opportunity to get it again that month.

Senator HELMS. Yes; but they could get the one-fourth if they wanted it.

Mr. GREENSTEIN. They could; it was not very much used.

Senator HELMS. Well, that is interesting in and of itself. But, are you absolutely certain that much of this influx of newcomers to the rolls does not involve people at the upper end of the eligible income group? Have you got computerized evidence about that, or do you know?

Mr. GREENSTEIN. Senator, Dr. De Ferranti is the head of the policy planning and evaluation unit in the Food and Nutrition Service and an experienced researcher in the field. I would like him to respond.

Senator HELMS. All right.

Mr. De FERRANTI. Yes; Senator, we do have evidence from field reports which we have used with our computer analysis that indicates that these people are not disproportionately from high-income levels. If that had been happening, we would have been able to observe a decline in the average benefit per person, because those high-income people only qualify for a lower benefit per person. We did not observe that, so we have documented evidence for January, February, and March.

Senator HELMS. Could you let us have that?

Mr. De FERRANTI. Yes, sir.

Senator HELMS. I would appreciate it.

[The following information was received by the committee:]

*Average food stamp benefit per person*

October 1978.....	\$28.37
November 1978.....	28.66
December 1978.....	28.23
January 1979.....	30.14
February 1979.....	30.07
March 1979.....	29.80

Senator HELMS. Now, prior to the present system, changed by the 1977 act, a person with no income, the poorest of the poor, how much did he or she pay for his or her food stamps?

Mr. GREENSTEIN. The very poorest people at the very, very bottom—there would be about 4 percent, I believe, of the households got food stamps without a charge. And then as income went up, the price went up.

Senator HELMS. Well, I understand, but what I am asking you is, they paid nothing?

Mr. GREENSTEIN. About 4 percent paid nothing.

Senator HELMS. Somebody who had, let us say, \$1,000 a year income, how much did they pay?

Mr. GREENSTEIN. I do not have the tables with me.

Senator HELMS. Well, it was very low, was it not?

Mr. GREENSTEIN. \$1,000 a year?

Senator HELMS. Yes; I just drew that figure out of the air for hypothetical purposes.

Mr. GREENSTEIN. That would be about \$80 or \$90, a month. It would be fairly low; \$20 or \$30 a month, or something of that sort. I would have to have the tables.

Mr. De FERRANTI. If I could just add, Senator, the proportion of their income that they would have to pay to get the food stamps was very, very high. So if we are talking about a family that has a monthly income of only \$80 or \$90 the share of that they would have had to have used to purchase food stamps was fairly high.

Senator HELMS. Like what?

Mr. De FERRANTI. Well, I would be happy to provide these for the record, but if we are talking about \$20 or \$30 out of \$80 or \$90 a month, that is—

Senator HELMS. Of course, you know, the people who are not on food stamps pay a substantial amount of their incomes for food also, and this is a valid argument that ought to be considered. While I have appeared to be in an adversary relationship this afternoon, nothing would please me more than for this program to

be put on a basis where the suspicions and the cynicism are eliminated. We owe that to the American taxpayers. I know I come on strong, but I am trying to be helpful in that regard.

Mr. WILLIAMS. That is all right, Senator.

Senator HELMS. If we do not get this house in order, there is going to be trouble.

Mr. WILLIAMS. Senator, I am like you, except a little different. We both ran in the statewide election last year; you won and I lost. But I heard the same thing on the campaign trail that you were hearing.

I came here in January; I was confirmed in March. One of my first conversations with Ms. Foreman was with reference to this idea of getting control and prosecution of specific fraud cases in food stamps. I even pushed for higher than the ended-up recommendation; I pushed for 75 percent of the money collected from fraud to stay in the State where collected to really encourage the States to go after it. The final recommendation was 50 percent.

Senator HELMS. I would not be surprised if you were not right in your position on that.

Mr. WILLIAMS. I do think that you have to build an inordinate subsidy into the State or county who is responsible for prosecution, when they are prosecuting for no fiscal good of their own. I think we have to try to get that 50 percent in and split and hope that we can do it.

The other thing that I am very serious about is what we need is specific instances of suspicion of fraud so we can get our hands on them. If a State is not aggressively pursuing it, then we need to know that and we need to get involved in it. We will make that promise to you, that if you or your staff will contact me, or any other member, on specific instances, I will personally see that it is handled, and that means sitting down with Ms. Foreman and sitting down with our Inspector General and getting an accurate account. If we cannot get local prosecution, we will know that and we will know what to do about it.

Senator HELMS. Well, I will tell you how you could bring order out of this chaos overnight, or we could. We could put it on a matching fund basis and then the States would come alive. Provided they were not hamstrung by guidelines and redtape and over-regulation from Washington.

Mr. WILLIAMS. Yes, sir.

Senator HELMS. Well, I thank you folks for coming up here today.

Mr. WILLIAMS. Thank you, Senator.

Ms. FOREMAN. Thank you.

Mr. GREENSTEIN. Senator, I just wanted to add one point to followup on what the Deputy Secretary said.

Senator HELMS. Yes.

Mr. GREENSTEIN. In addition to the 50 percent that the States would retain, S. 1310 also contains a new provision. In 1977, you put in a provision that persons found to have committed fraud would be disqualified from the program for a period of time.

We are proposing in S. 1310 yet an additional provision that even after the disqualification period is over, they may not reenter the program until an agreement is worked out to repay in full that

fraudulent over-issuance they received. If the persons do not have cash to repay it, it would be withheld from their food stamp allotment for as many months as it takes to recover it.

I have had some people come up to me and express some surprise that we have a provision like that in the bill, but I think it is indicative of what Deputy Secretary Williams is saying.

Mr. WILLIAMS. In all fairness, I really believe that at least half of the time of the Inspector General in our Department is spent in the food and nutrition area, in time, in commitment and in resources. We are going to continue until we get to the bottom of it, Senator, with your help.

Senator HELMS. Well, I will give you all the help I am capable of giving.

Thank you very much.

Mr. WILLIAMS. Thank you.

Senator HELMS. All right. We have now Mr. Charles McDermott, Department of Welfare, State of Oklahoma, and Mr. John N. Gum, Jr., deputy assistant secretary, Office of Family Security, Louisiana Department of Health and Human Resources.

Needless to say, we greatly appreciate your coming to Washington today to help us with this problem, which is a mutual problem. We will proceed in any order you wish. Mr. McDermott, you are first in line; please identify yourself for the record.

**STATEMENT OF CHARLES F. McDERMOTT, COMPTROLLER, OKLAHOMA DEPARTMENT OF PUBLIC WELFARE, OKLAHOMA CITY, OKLA., ACCOMPANIED BY JOHN HOOPER, PROGRAM ADMINISTRATOR, AND WOODROW HOGUE, PROGRAM COORDINATOR**

Mr. McDERMOTT. My name is Charles F. McDermott. I am comptroller of the Department of Public Welfare in Oklahoma. I am accompanied today by John Hooper, who is program administrator, and Woodrow Hogue, who is program coordinator. We want to apologize first for Mr. L. E. Rader, who found it impossible to keep his commitment and sent us to replace him.

Senator HELMS. We are delighted to have you.

Mr. McDERMOTT. We are pleased to have this opportunity to appear before the subcommittee to express our support for the food stamp program and our concerns over the implementation of the 1977 Food Stamp Act. We want to make clear that Oklahoma, recognizing that its population would be severely hurt by failure to provide food stamps during the balance of this fiscal year, urges an immediate increase in the food stamp ceiling that would permit operation of the program without any reduction of benefits through September 30.

In addition, the Department would ask that this subcommittee pursue an independent inquiry into the administrative burdens placed on the program as a result of both the 1977 act and the interpretations placed upon that act by the U.S. Department of Agriculture.

Oklahoma, as did many other States, attempted to have input into the regulations during their drafting, but was thwarted in those attempts. In many instances, we learned of the proposed regulations from advocacy groups.

The Department of Agriculture's complete disregard of State input would appear to be in direct violation of Presidential Executive Order No. 12044, which requires State participation in administrative rulemaking where the States will be affected by that rulemaking.

To illustrate the regulations that we feel need attention, we have summarized the impact on the program both by regulations that have been finalized and those regulations, of which we are aware, that are in proposed or draft status.

I am only going to touch on points that will be further expanded in the statement. We are free to answer any questions. But to save time, we will touch on those points that create problems.

Senator HELMS. Your full statement will be printed in the record.<sup>1</sup>

Mr. McDERMOTT. Thank you, Senator.

The restrictions imposed on States eligibility processes by limiting verification procedures—that has an effect on the integrity of the caseload, and it is out of synchronization with public assistance and medical assistance programs. The limitation on home visits is contrary to our practice of making home visits in order to minimize errors. We are not permitted that latitude unless we have reason to question, and, of course, a caseworker may or may not have enough information to raise questions.

The forms mandated by the U.S. Department of Agriculture are counterproductive to our established procedures and training. For example, there is a form mandated for change records. Attached to that form is a request for a fair hearing, if the recipient is dissatisfied with any action. This leads to confusion, and unusually high numbers of requests for fair hearings which are later withdrawn when the form, is explained to the recipient. The change report results in a massive amount of paper flowing between the client and the offices.

[Whereupon, Senator Hayakawa assumed the Chair.]

Senator HAYAKAWA. Excuse me. I want to get these points. First, there is a limitation of verification procedures.

Mr. McDERMOTT. That is right.

Senator HAYAKAWA. Second, there is no permission or limited permission for home visits.

Mr. McDERMOTT. That is right.

Senator HAYAKAWA. And what was the third one?

Mr. McDERMOTT. There are mandated forms that result in additional work and the forms are not in accordance with our established procedures.

Senator HAYAKAWA. Thank you.

Mr. McDERMOTT. Some of the definitions in the regulations cause difficulties. As an illustration, in some instances, if a recipient or an applicant is purchasing board and room, he is eligible; in others, he is not. If we could have just one definition, it would simplify that procedure.

The requirements for expediting service will, in our opinion, result in questions being raised about many of those recipients in the future. For example, we must provide expedited services if a recipient asks for it, and we only have 2 days to do it. That is

<sup>1</sup> See p. 57 for the prepared statement of Mr. McDermott.

without regard to whether that individual has liquid resources to purchase their food. They could have lost their job just a week ago and had sufficient funds, but if they request expedited service, we have to provide it.

Full-time registration requirement for college students when the break in the education will exceed 30 days—puts a burden both on the Labor Department and our Department. If the individual will be available for only 30 days, the Labor Department will not actively seek a job for that person, and it results in paper, without any benefit or any savings in the benefits of the program.

It was interesting that the Secretary was unaware of the requirement that we cannot reduce benefits or accept stamps being returned, since that is one of our major problems. We have individuals who will come to the office to surrender food stamps that they think they are not entitled to keep, and we cannot accept the stamps until we give them a 10-day adverse action notice. This was pointed out in training sessions conducted by the regional personnel from the Dallas office of USDA.

Senator LUGAR. Would you repeat that again? It seems so incredible, I cannot really believe what you are saying.

Mr. HOGUE. Let me make a statement on this. In region 6, FNS held a training session in Arlington, Tex. in October. This included the States of Oklahoma, Texas, Arkansas, Louisiana, and New Mexico. In going over the provisions for a 10-day adverse notice, all of these five States were instructed that you cannot make a change nor can you accept any food stamps back until that 10-day adverse notice has expired, and the client does not have the right to waive that 10-day notice.

Therefore, in these five States, I will guarantee you that the client—if they are overissued stamps and they bring them into the county office, the county office will not accept them. The county office will give them a 10-day notice; at the expiration of the 10 days, the county will then close the case, if the client has not appealed, and then attempt to collect the stamps back.

Senator LUGAR. Is USDA aware of this?

Mr. HOGUE. Those are their instructions.

Mr. HOOPER. That is their interpretation and their instructions, yes, sir.

Mr. HOGUE. This originated with an advocacy group.

Senator HAYAKAWA. Please proceed, Mr. McDermott.

Mr. McDERMOTT. All right. There is a requirement for an administrative hearing where fraud is alleged. That hearing requirement is counterproductive, because it does not permit a hearing to be conducted on a closed case. At the point a case is found to be ineligible, it is closed. It is a requirement, with which we cannot comply, since the case is closed.

The handling of the elimination of the purchase requirement has been discussed quite extensively here. We feel now, and felt at the time, that a one-stage implementation would have been desirable, because the two-stage implementation resulted in our having to conduct two training sessions to acquaint our staff with the procedures, and it also was confusing to the recipients. The public releases of information were also confusing. Almost all the burden

for public relations was placed on the State, but the State was told how they would proceed.

The individuals expected a full allotment of stamps, and discovered it was only the bonus value. That caused visits to the offices which resulted in excessive administrative cost.

We have attached two letters to this statement that protest or comment on proposed regulations that have not yet been adopted. We think those regulations are important enough, though, that they should be given attention. For example, on staffing, we cannot determine as yet what USDA will require in the area of staffing, but we are fearful that staffing requirements may be more than the States have the fiscal ability to absorb. For example, in Oklahoma, we have limitations placed on the number of employees we can have. Those limitations were enacted by the legislature. If USDA would impose staffing requirements that required increases in staff, we could not comply.

There is also——

Senator HELMS. Excuse me, sir. How much staff do you have to ferret out the abuse of the food stamp program?

Mr. HOGUE. We have an office of the inspector general division that consists of about 60 staff in the State central office that works strictly on fraud and abuse. Now, granted, it is fraud and abuse in all the programs, not just in food stamps, but they spend much of their time on the food stamps. Any suspected fraud case will be referred to them. There are attorneys assigned to the department's inspector general's office that will attempt to prosecute these cases.

Mr. HOOPER. I might add also, Senator, that the 50 percent of the fraud collections, although it is an incentive, would not increase our prosecution of fraud, because we have already done that in instances where we have detected fraud. So that is not an incentive as such, because we have already done that.

Senator HAYAKAWA. Mr. McDermott, proceed.

Mr. McDERMOTT. We also understand that the staffing regulations will require that the certification staff be composed of the same racial and ethnic composition as the low-income households in the area. This requirement cannot be supported on the basis that staff composition has any effect on participation in the program, and a requirement such as that makes a shambles of merit systems of personnel administration and other State affirmative action programs.

In the area of quality control, performance reporting, it would appear that the standards for an efficient and effective administration of the program exceeds the mandate of section 16 of the act. We have had, since the inception of the food stamp program, a quality control staff. We have measured quality control and have one of the better records in the country. We do not disagree with the principle of quality control, but we do believe that it should be a management tool and not a method of imposing sanctions upon the State.

It would appear that the design of the new performance reporting may be intended to lead the States into accepting errors that are actually the fault of the regulations governing certification. As an illustration, they measure all of those factors of eligibility that are prohibited to the certification worker. Those errors count

against States. It is obvious that there are not going to be any States that qualify for the 60-percent incentive.

The error measurements in the regulations and the calculation aspects of the proposed regulations should be modified to eliminate errors that are the result of client error. That is discussed in our letter attached as an appendix.

There is some degree of confusion at the State level over assignment of administrative responsibilities. It would appear that Congress intended that the States administer the program. The States are only becoming a tool of the Federal bureaucracy in carrying out mandated procedures, and it makes it very difficult to adapt those procedures to local conditions.

In the process of the development of an integrated quality control mechanism, the Office of Management and Budget is spearheading coordination between FNS and HEW. We believe that is a good step. However, the food stamp reviews starting on September 1 will make it very difficult to ever get it in synchronization with the HEW program, and it may be that we never can ever get the two programs to where we can achieve integration of the quality control programs as a result of that implementation date.

In management evaluation, there are some sampling techniques that result in maybe 14 to 15 different subsamples, with excessive staff and computer time involved. Repetition is inherent in the performance reporting system, since the quality control reviews duplicate management evaluation reviews, in identifying for corrective action deficiencies which are identical under both systems. Both systems duplicate annual Outreach reviews required of the Outreach coordinator. Duplication, even triplication, of administrative effort and expense obviously has no place in this program, and we would ask that somebody look at the requirement in order that we can do these things once and not three times.

Under complaint procedure, USDA has proposed that the State agency maintain a system for handling complaints. At the present time we have systems for handling complaints against our whole Department; those procedures are well-established. Apparently, to comply with this regulation, it would anticipate that we have a food stamp complaint coordinator and possibly a food stamp complaint department, as well as mandated hotlines and other mandated procedures. We think that we can do an adequate job with the procedures we now have in place.

Outreach has been discussed earlier. Oklahoma had a caseload in April of 178,000 persons. USDA's figures would indicate that we are 212,000 short of the target population. We do not have any indication in the present regulations that there would be any penalty for failure to obtain the targets, but the management evaluation would apparently measure our progress toward providing benefits for the target group. We do not feel that the failure of the program to be providing food stamps to all 392,000 is the result of people not knowing about the program; that does not seem reasonable. It probably is more related to the administrative requirements, the application process and the minimum benefits. We have experienced about a 20-percent increase in our applications with a 40,000 increase in caseloads since the first of January.

In Oklahoma, we have devoted a great deal of our Outreach effort to nutrition education. All of our Outreach staff are professional home economists. We have attempted to gear our program toward training recipients in the use of not only food stamps, but the other food that they have available to maximize the benefits of the program. That approach to Outreach is disregarded totally in USDA's regulations.

If you will permit me, I will read the summary. In summary, we would advocate greater flexibility to the States in establishing administrative procedures. States should also be given some options in adopting standards for eligibility to meet the needs of the citizens in accordance with local conditions.

The needs of the elderly specifically should be recognized in this inflationary economy. We do feel the bulk of new clients we have seen come into the new food stamp program are older citizens who, taking advantage of our statewide mail-out option, no longer have to make sometimes difficult trips to the county seat to personally redeem their ATP and, therefore, have applied for the program.

The cap on excess shelter cost deductions under the present definition, coupled with the elimination of the medical care deduction, however, has contributed to the fact that most of our elderly citizens receive a minimum benefit. Consideration should be given to doubling the standard deduction and/or considering less than 30 percent of net income available for food for that group of persons.

One suggestion to more adequately meet the needs of the elderly would be to increase the minimum benefit to \$20. Our studies show that this would increase the expenditure for the current caseload by 5 percent. We think that this proposal should be studied as to national impact, since the administrative cost is the same for a minimum benefit case as for all other cases.

Senator HAYAKAWA. Thank you.

Senator HELMS. Do you two gentlemen have any further comments?

Mr. HOOPER. Yes, sir, I would like to——

Senator HAYAKAWA. Would you give me your name again?

Mr. HOOPER. John Hooper.

Senator HAYAKAWA. And you are from which State?

Mr. HOOPER. Oklahoma.

Senator HELMS. These three are from Oklahoma, and I believe they have identified themselves for the record.

Senator HAYAKAWA. Yes.

Mr. HOOPER. I am the token minority here with the Indians from Oklahoma. [Laughter.]

In the performance reporting—we skimmed over it rather quickly—there is a dual standard, as you may know, within the quality control area. In the certification, we are mandated by one set of standards for eligibility; yet, there is another set of standards when the quality control reviewer goes out and determines if there is an error in a case. In this instance, never the twain shall meet. So I think, in keeping with what the Secretary said earlier, you know, that some of these things are close enough for Government work, but there is also a saying in Oklahoma that, "If somebody who does not know 'sic 'em' from 'come here,' we can put him in the barn real quickly."

But the way it is so worded in the regulations, there is no way that we could ever—or any State, California, North Carolina, or any other State—qualify for the 60 percent incentive.

Mr. HOGUE. Let me give you an example. There are only three things that the States are required to verify, and that is, nonexempt income, alien status, and utility costs if they claim actual costs. So if you come into a county office to make an application for food stamps and you say you have 10 persons living in your home, I cannot verify whether or not you have got 10 persons in your home. Since I cannot verify that, if I go ahead and certify you for 10 persons and our quality control unit comes along behind us, they are required to verify whether or not you have got 10 people in the home, and then it is an error if you only have 2 people in the home.

You have a system there where the eligibility worker in the county office cannot verify, but yet it is held against the State if they make an error. Now, that is not a workable system.

Senator HELMS. Well, you have anticipated the question I was going to ask. Probably, there are going to be some other things that come to mind later that perhaps are not covered in the statement.

Mr. HOGUE. Yes.

Senator HELMS. With your permission, Mr. Chairman, I would like to ask these three gentlemen—and also you, sir—

Mr. GUM. Please do.

Senator HELMS [continuing]. If additional thoughts come to mind, will you submit those in writing to us, so that they can be made a part of the record. You have identified the problems, and now it is up to us to try to work with you to come up with the solutions. So as many examples as you can give of the problems you are having as a result of the lack of verification, these will be helpful to us.

Mr. HOGUE. Let me give you one more example regarding citizenship. You are required to verify whether or not an individual is a legally admitted alien, if the individual says that he is an alien. But if the individual comes into the county office with an interpreter, says that he was born in Argentina and says, "I am a citizen of the United States," the fact that he was born in Argentina, cannot speak English, does not justify verifying whether or not he is a legally admitted alien. You have to have a document in the case record that would indicate that that person might be an illegal alien before you can do the verification.

Now, county offices are not immigration and naturalization offices, and we do not have those kind of records in county offices. So this takes out any prudent judgment on the part of a local worker to make these kinds of decisions.

Senator HELMS. I think lawyers have an expression for that; that is *reductio ad absurdum*.

Mr. HOGUE. Yes, sir; I would agree.

Mr. HOOPER. To the fullest extent.

Senator HELMS. Let me include you in this, too, even though you have not yet testified. Do either of your States have procedures that permit data from social security to be used to verify information from applicants on the amount of benefits?

Mr. HOGUE. In Oklahoma, in the AFDC program and in the medical assistance programs, we take full advantage of the Bendix

system, which is a data exchange program that tells us the amount of social security benefits that a recipient is receiving.

In the food stamp program, we do not. Now, the reason for this is, for medical assistance or for aid to families with dependent children, we have a statement on the application form that says, "I agree to the release of any information that is necessary in order to determine my eligibility for assistance," and the head of the household signs that statement for everybody in the household. Under the food stamp regulations, you have to have a separate statement for every person in the family, even if one of the members of the family is a 6-month-old child, before you can use the Bendix information.

So, since it required so many forms—or you can develop one form and have every individual in the household sign it—since it was so difficult, we quit using the Bendix system in the food stamp program.

Mr. GUM. It is true of us, too.

Senator HELMS. Same thing?

Mr. GUM. Same thing.

Senator HAYAKAWA. Excuse me. Tell me about the Bendix program. It is a computerized set of records?

Mr. HOGUE. It is a computerized program where the State sends information to Baltimore once a month, and Baltimore runs the social security numbers through their files and sends a tape back to the States saying—

Senator HAYAKAWA. So you know who is getting social security and who is not.

Mr. HOGUE [continuing]. This individual received social security.

Senator HAYAKAWA. But you cannot check the food stamp applicants against this system.

Mr. HOOPER. Because that is every individual in the household, as opposed to the head of the household.

Mr. HOGUE. Yes. Now, it would seem to us that the head of the household could sign a statement saying, "I agree to the release of information necessary to determine eligibility for this household," and we could use that and check with Bendix. But we have suggested this in the past and gotten nowhere with it.

Senator HELMS. What was the response from Washington?

Mr. HOOPER. Well, not from Washington—well, yes, it was.

Mr. HOGUE. The response from FNS was that there had to be a release signed by each individual member of the household.

Senator HELMS. Now you see the benefit of having these gentlemen coming here, Mr. Chairman.

Senator HAYAKAWA. It is very, very fine.

Senator HELMS. This is the kind of thing that we would like for all of you to let us have in writing; things that will occur to you after you get home.

Mr. HOOPER. Sure.

Mr. HOGUE. I do not want to mislead anybody. I am for the food stamp program; I think it is a great program. Oklahoma wants to be able to administer it in the most efficient way possible and get the food to the people that are eligible to receive it.

Senator HELMS. I think that is unanimous.

Mr. HOOPER. On the other hand, if we are going to be given the responsibility of administration, let us administer the program.

Senator HAYAKAWA. Mr. Gum?

Mr. GUM. Mr. Chairman and members of the committee, I came here specifically this afternoon on behalf of Dr. Cherry, who is the Secretary of the Office of Health and Human Resources of the State of Louisiana, to testify specifically with regard to Senate bill 1309. But I hasten to say that we too, like the State of Oklahoma, have the same concerns and the same problems with most of the proposed regulations that they have discussed this afternoon.

We would like, Senator, to be asked to come back before this committee and present testimony on our problems with this proposed regulation, just as Oklahoma has done this afternoon. But with your permission, sir, I will read a prepared text, which has to do only with Senate bill 1309.

Senator HELMS. If you want to summarize that and have the entire thing put in the record—

Mr. GUM. It is short, sir; it will take 5 minutes.

Senator HELMS. Whatever you want to do.

Senator HAYAKAWA. Fine; please do.

**STATEMENT OF JOHN N. GUM, JR., DEPUTY ASSISTANT, OFFICE OF FAMILY SECURITY, LOUISIANA DEPARTMENT OF HEALTH AND HUMAN RESOURCES, BATON ROUGE, LA.**

Mr. GUM. On behalf of the State of Louisiana and as the agency charged with the responsibility of administering the food stamp program in Louisiana, I want to express our very deep appreciation for this opportunity to meet with you to discuss pending legislation which would raise the 1979 food stamp authorization level.

The State of Louisiana strongly supports such legislation which would prevent a loss of or reduction in benefits to food stamp recipients. Since the implementation of the food stamp program in Louisiana on a pilot basis in 1963, we have recognized the very real value of the benefits that the food stamp program provides to the low-income poor of our State.

The implementation of the Food Stamp Act of 1977 has enabled many more low-income people to receive program benefits. These are people who, for some reason, were not participating in the old program. In Louisiana, the elimination of the purchase price was implemented on January 1, 1979. Effective March 1, 1979, there was a total and complete conversion of all certified cases and new applications to the new program.

We noticed an immediate and dramatic impact on caseloads. During the first 3 weeks of January 1979, applications increased by 51 percent, and the certification rate increased from 57 percent to 85 percent of the applications that were received. This has resulted in a 41-percent increase in our caseload during the period of December 1978 through May of 1979.

Bonus coupons issued in December 1978 amounted to slightly over 11 million. This figure increased to 15.5 million by April of 1979. Although the application rate has leveled off to some extent, the rate is far in excess of applications and certifications during calendar year 1978.

The increase described to you today is important for several reasons. First, of course, is the food assistance provided to an additional 170,000 people in the State of Louisiana. Second, while Louisiana is certainly not included in the group of very large States, the increase in Federal spending impacts on the food stamp authorization level for 1979. Further, we anticipate a continued increase in the number of people participating in the program.

Although the new food stamp program resulted in an average increase in benefits of only \$6.16 per household, I must share with you the fact that not all recipients in Louisiana received an increase in benefits. There were many whose benefits were substantially reduced, especially among the elderly with high medical and shelter expenses.

Gentlemen, it is not a mountaintop experience to hear the sick, the elderly, or the disabled father with hungry children describe the realities of trying to survive on a very limited income, including reduced food stamp benefits.

We have carefully considered the effect on Louisiana if additional funds are not made available for 1979. There are, as we understand the alternatives, two methods of stretching Federal dollars under consideration: A suspension of the program for 1 or more months, or a ratable reduction of benefits for all recipients.

Simply stated, it would be very difficult to administer a program that did either of the two options. Suspension of the program would mean starvation and disaster to over 550,000 people in the State of Louisiana. The reduction of benefits, which ultimately would result in total loss of benefits for some, would also cause irreparable harm and suffering for millions of Americans.

We must face the fact that with the elimination of the purchase requirement, many food stamp recipients are spending meager amounts for food. We know that there are many who are adding little, if any, of their own money to their food purchases. The further reduction of benefits during these times of increasing inflation and corresponding increases in the cost of food would only serve to inflict additional suffering on the poor of this country and in generations to come.

I appreciate the opportunity of appearing before you to present this very brief statement, and I again say that I would like to come back and present our objection to these amendments.

Senator HAYAKAWA. Thank you.

Mr. HOGUE. In regard to the lowering of the maximum income standards I heard earlier of, it seems like millions of cases that were supposed to be closed. Oklahoma had 66 of them, so statewide 66 cases were closed as a result of lowering the maximum income standard.

We added to our caseload something over 19,000 cases.

Mr. HOOPER. Some States are really hurting, because if they lost part of that 6 million and we only lost the 66, they are in bad trouble.

Mr. GUM. Our caseload increased over 200,000 people.

Senator HAYAKAWA. Now, you were saying, Mr. McDermott and gentlemen from Oklahoma, that if you had the authority to take care of the administration of the program, you could make the administration much more efficient. That would mean that more

money would go to the really needy poor and there would be fewer rip-offs by people who want to buy Perrier water.

Mr. McDERMOTT. Right.

Mr. HOGUE. Correct.

Senator HAYAKAWA. Now, is any of the proposed legislation going to lead you in this direction? Is there any suggested legislation to put more administrative authority in your hands rather than keeping it in the hands of the Federal Government?

Mr. HOOPER. Not as the way I read the bill that was introduced; S. 1310, I believe it was.

Senator HAYAKAWA. Yes.

Mr. HOOPER. I looked at that. Even though there are some features in there that are fairly good—the ones that were mentioned earlier; the retrospective accounting and the self-declaration by the recipient to changes in their income—I might say that self-declaration by clients is one of the things that got the public assistance program in hot water before because of a lack of self-declaration in these respects.

So I think that in these areas, what we are saying is that Oklahoma historically—and Mr. McDermott alluded to it earlier—Oklahoma historically has had a low error rate. Casewise, I guess that we would qualify for the lowest percentile, primarily because of our history of being able to do our home visits and to verify the accuracy.

So the total number of ineligible participants in Oklahoma has been held to an extremely low level.

Mr. McDERMOTT. In that connection, there are cases that require attention—high-risk cases. Therefore, there should be verification, home visits, and that type of investigations. There are low-risk cases; the individual who is 69 years old, who has been on public assistance since 65. He has had a regular visit from the caseworker; we have all the information about his participation in medical programs, because we pay his bills. But under the regulations, we have to follow the same procedures for that 69-year-old individual, who is in a stable environment and his changes in circumstances do not occur without our knowledge, unlike the person who is moving from neighborhood to neighborhood and working intermittently. The procedures are exactly the same under present regulations.

Senator HELMS. You are saying your caseworkers are prohibited from visiting the participants' homes, barring unusual circumstances, is that correct?

Mr. McDERMOTT. That is correct in the certification process, but it is required in the quality control process.

Mr. HOOPER. That is the dual standard we alluded to earlier.

Senator HELMS. Yes.

Mr. HOGUE. In Oklahoma, we have looked at the home visit as a convenience to the client, because many times the client does not want to come into a crowded waiting room in an office somewhere. Many times when a worker is out in the field working, in the past people that wanted to apply for food stamps, or what have you, would see the worker and would know the worker, because they work in that local area.

They would say, "Hey, come over to my house; I want to make an application for food stamps." Under the new regulations, we cannot do that. We can give them an application form and we say, "You can fill this out," but the regulations require a visit in the certification office; "you will have to fill it out and you will have to come to the certification office unless you do not have transportation or you are aged."

Senator HELMS. Now, you have tried to explain this to FNS, is that right?

Mr. HOGUE. They are aware of it.

Mr. HOOPER. From the inception on the new program, yes, sir.

Mr. GUM. In our State, which is an extremely rural State like Oklahoma—in the parish that I am from, it means 35 or 40 miles that people have to travel to our certification office, and this just creates all kinds of problems for them, as you can well imagine, especially for the elderly and the poor.

Senator HAYAKAWA. It sounds as if the Federal Government does not trust the managerial or mental capacity of officials in Oklahoma.

Mr. HOGUE. I think that is true.

Senator HAYAKAWA. That is also true in Louisiana?

Mr. GUM. Yes. [Laughter.]

Senator HAYAKAWA. That is all right; put it on the record.

Mr. HOOPER. I really feel like this was put into the regulations primarily because of Oklahoma. Here again, the incentive that is mentioned—the 60 percent incentive—if you do attain, according to the proposed regulations, the 5 percent error rate or below that level to qualify for the 60 percent funding, someone from USDA will come in and verify that this is actually a true statement or if you fudged your figures.

So we feel like this part of the regulations—because we have maintained the home visit historically since the inception of the program in Oklahoma, and we have had some type of a feeding program in Oklahoma since 1937.

Senator HELMS. Did you mention mandated forms?

Mr. HOGUE. Yes.

Mr. McDERMOTT. Yes, there are mandated forms on verification, or a request actually goes to the client and he is supposed to report to us any change in circumstances.

Mr. HOGUE. The law mandates two forms, and the food stamp regulations mandate that the States use, I believe it is six forms; the application form, the worksheet and a report form, and this report form Mr. McDermott referred to a while ago.

What happens with our changed report form—the idea is good and, theoretically, it sounds great. But you have to keep in mind that many of the people that receive food stamps are mentally or physically disabled and may not understand, really, what they are getting.

In the county offices, we are required to send a changed report form to a recipient at the point of certification. The idea is that the recipient can use this to report a change back to the county office.

Senator HELMS. Probably many recipients do not even know what it is.

Mr. HOGUE. We mail it to them; they look at it and write "no change" across the top and mail it back to us. Then we are required, everytime we receive one back in the county office, to mail another one back to the client.

Senator HELMS. Is this not inordinately expensive?

Mr. HOGUE. Yes, it is very expensive.

Mr. HOOPER. The cost of postage.

Mr. McDERMOTT. Not only the cost of postage; it is the fact that you have to retain the forms. In other words, you have a filing and form retention problem, you see.

Mr. HOGUE. On the bottom of their notices——

Senator HELMS. Do you agree?

Mr. GUM. Sir, I was just going to comment. Up until just recently, I spent 19 years as parish administrator in a county welfare office. They are perfectly right; anything they receive from us, they write "no comment" on it and send it back. I do not care what it is.

The idea is great to do this kind of thing; convenience is the purpose of it. It just does not work like that. You say the administrative cost is there, but the cost to the recipient—the worry to that old person sitting out on the bayou is just unbelievable.

Mr. HOGUE. That is correct.

Senator HELMS. Let me tell you of an episode that occurred in North Carolina 2 or 3 years ago. It had to do with another program, the intent of which was the best. It was during one of the extremely cold winters, and the Federal Government set up an emergency fuel program for the poor. The program allocated \$21,500, I think it was, for Gaston County, N.C.

Well, somebody reported to my office that we ought to look into this—and we did. We found out that \$21,000 of the \$21,500 allocation was used for administrative expenses; \$500 was used for the purchase of coal and fuel oil. Nobody could find out where the coal went, and half of the oil was not accounted for. But the administrator of that tiny program had a warm office and an automobile.

Now, this, of course, is not anywhere relative to the expense of the administrative costs you talked about, but it illustrates the point. Just for the record, I trust the administrative ability of the States a lot more than I do the long-distance administration by the Federal bureaucrats.

Mr. HOGUE. Another example of this form—all the report forms are required to have, at the bottom part of the form, a statement that says that if you are not satisfied with the results that you have received from the county office, or the amount of your coupon allotment, you may request a hearing; just sign the bottom of this form.

Well, the clients receive this and they think, "Well, if I sign this and send it in, I may get a few more coupons on it." So the client signs it and sends it into the county office. The county office sends it into the State office for the appeals section; the appeals section sets up an appointment and sends a letter notifying the client of the time and the fact that they are entitled to free legal representation and can bring in any witnesses they desire.

They, in turn, get a hold of the county office and say, "Oh, no, I did not intend to do anything like that; I just thought I might get some more coupons." Then the county worker has to get a form

signed, withdrawing that request for an appeal, and go back to the central office to cancel out the appeal.

Senator HELMS. Have you had that experience?

Mr. GUM. Yes, sir. We operate under the same rules they operate under.

Mr. HOGUE. We all operate under the same rules.

Mr. HOOPER. The Federal committee on paperwork was disbanded 1 year too soon. [Laughter.]

Senator HELMS. Mr. Chairman, I want to express my appreciation to these four gentlemen for coming, and you can be sure that you will be solicited to come back for a later discussion.

Mr. HOOPER. We appreciate the invitation.

Senator HELMS. I have in mind, Mr. Chairman—and I am speaking off the top of my head—that perhaps we ought to take the thoughts of these gentlemen, plus additional thoughts that they have, and prepare some sort of questionnaire, to be submitted to State and local officials across the country. We could get a composite view of what is wrong, and see if we cannot, if not in the pending legislation then in some subsequent legislation, get the Federal monkey off your back, so that you can do the job that you are trying to do. I can see that you are hamstrung almost to the point of harassment.

Senator HAYAKAWA. If I might introduce another observation, we have to be grateful for the War of Independence, because if we did not have to report to Washington—if it had not been for the War of Independence, Washington would, in turn, have to report to London. [Laughter.]

Mr. HOOPER. Mr. Chairman, I would like to take this opportunity—maybe I am taking advantage here and doing a little commercialism here, but there is an American Association of State Directors for the food stamp program and we are having our fourth annual conference.

All the food stamp directors from all over the United States will be there; we have had them all for the last 3 years. It will be at the Jack Tarr Hotel, Senator, in San Francisco, September 23 through September 26. A lot of the information and things like this will be coming out at that time that you might want to hear.

Steve has been there and Marshall has been there in the past. We feel like it is very informative, because a lot of gripes and a lot of complaints do come out at that time.

Senator HAYAKAWA. I would like to say, sir, that it will be a great pleasure for me to attend myself, and if I cannot do so, I shall certainly have a staff member meet with you. I am glad to know there is such an organization.

Mr. HOOPER. Yes, sir.

Senator HELMS. Thank you very much.

Mr. HOOPER. Thank you, sir.

Senator HELMS. The hearing is adjourned.

[Whereupon, at 4:57 p.m., the subcommittee adjourned, subject to call of the Chair.]

## APPENDIX

### STATEMENT OF CHARLES F. McDERMOTT, COMPTROLLER, OKLAHOMA DEPARTMENT OF PUBLIC WELFARE, OKLAHOMA CITY, OKLA.

We are pleased to have this opportunity to appear before this subcommittee to express our support for the Food Stamp program and our concerns over the implementation of the 1977 Food Stamp Act. It should be made clear that Oklahoma, recognizing that its population would be severely hurt by failure to provide food stamps during the balance of this fiscal year, urges immediate increase in the food stamp ceiling that would permit operation of the program without any reduction of benefits through September 30.

In addition, the Department would ask that this subcommittee pursue an independent inquiry into the administrative burdens placed on the program as a result of both the 1977 Act and the interpretations placed upon that Act by the United States Department of Agriculture. Oklahoma, as have many other states, attempted to have input into the regulations during their drafting but was thwarted in those attempts. In many instances we learned of the proposed regulations from the advocacy groups. We feel that those charged with administering the program should have been consulted prior to drafting the regulations.

The Department of Agriculture's complete disregard of state input would appear to be in direct violation of Presidential Executive Order 12044, which requires state participation in administrative rulemaking where the states will be affected by that rulemaking. In addition, USDA apparently has adopted a policy of restricting the 60-day comment period included in that Executive Order, even more directly inhibiting state opportunities to impact on the decisions of USDA.

To illustrate the regulations that we feel need attention, we have summarized the impact on the program both by regulations that have been finalized and those regulations, of which we are aware, that are in proposed or draft status.

*Limitations on State administrative options.*—The severe restrictions placed upon the State by USDA in the verification procedures cannot only have an effect upon the integrity of the caseload, but, worse, they are out of synchronization with procedures that the States have employed in other Public Assistance and Medical Assistance programs over the years. Unless there is reason to question facts given by an applicant, the regulations do not permit verification of the household composition (i.e., number of persons in the household and their relationship to each other), the amount of excluded income and shelter costs. It is unrealistic to expect an Eligibility Worker to make a judgment as to whether these items should be questioned when all of the emphasis in the regulations would indicate that the applicant's word should be enough. Over a period of time the restriction will become known to all applicants and we suspect we will find an increase in fraudulent cases. Oklahoma has maintained a very low error rate in the administration not only of the Food Stamp Program but also the AFDC Program, and we credit our required home visit as being the key to that low error rate. The regulations prohibit that home visit, except where other information would indicate a need for a home visit, although it mandates it in the proposed regulations on Quality Control, a point we will discuss later in the testimony. This is not unlike the simplified declaration method, which was imposed and later discarded by the AFDC Program.

Oklahoma takes issue with the forms mandated by USDA in the administration of the Food Stamp Program. We have had a long experience in designing forms and training workers in terminology and forms in the administration of our programs. Most of the time the USDA forms deviate from our procedures to the extent that it is confusing to the Eligibility Workers and in conflict with our established and tested procedures. To illustrate this point, the Law mandates a change report form designed by the Food and Nutrition Service. Theoretically, we could agree with the practice, but our other administrative procedures, which accomplish the same purpose, would permit us to dispense with this form entirely. Even though we are required to have a form, we could design one that more adequately meets our needs and the understanding of the client. As a practical matter, when this form is mailed

to the recipient at the time of certification, the recipient usually simply marks on the form "no change" and returns it. When we receive this form, we must then mail another form with a self-addressed stamped envelope, and the cycle repeats. Often the recipient will make a special trip to the County Office to find out what this form is for, resulting in additional staff time and client inconvenience. This results in a mammoth paper shuffle and administrative expense with no real results.

In the definitions contained in USDA's regulations, we have had difficulty in the area of room and board. If USDA had simply specified that an individual, who is renting a room and boarding, was either eligible or ineligible, the difficulty could have been avoided. Unfortunately, there are some situations where an individual can qualify where he is purchasing room and board and other instances where he is not qualified. This makes an impossible situation when we have thousands of Eligibility Workers who must know the differing sets of circumstances in order to make the decisions.

The requirements for expediting service for an applicant when the applicant requests such service are contrary to good management. Although there clearly are instances where expediting service should be done, the regulations would require expedited service even though the applicant could have several hundred dollars in the bank and has only recently become eligible for the program because of loss of income. The effect of the regulations is to prohibit verifying anything other than identity and residence unless the other verification can be accomplished within two days. Again, as this becomes known, we feel we will have more applicants demanding expedited service where they do not actually meet the eligibility requirements of the program. Either the regulations or the Law should stipulate that households having liquid resources equal to or exceeding 150 percent of the thrifty food plan for the household size would not be entitled to expedited services, or States should be given some flexibility in determining when expedited service is appropriate.

Current regulations require a full-time work registration for college students with a break in the education that will exceed 30 days. The 30 days should be, at the very least, doubled and preferably eliminated, since it is unrealistic for the Labor Department to actively seek and find a job for a registrant who will be returning to school in that short a time. This regulation creates an administrative burden, both on the Labor Department and the food stamp administration, that is not resulting in any reduction of expenditures for the program.

The requirement that a recipient cannot waive an adverse action notice is ridiculous when it makes no allowance for an action requested by a recipient. To illustrate, a recipient who gets too many stamps and attempts to return them to the food stamp office to avoid an overpayment must be advised that the food stamp office cannot accept the stamps because the recipient must be provided a 10-day adverse action notice prior to the reduction in benefits. Under this principle, an individual cannot request that his case be closed during the latter third of the month because it would not be possible to provide him a 10-day notice of adverse action before the benefits are terminated.

*Administrative fraud hearings.*—The requirement for Administrative Fraud Hearings is counterproductive. Regulations do not permit Administrative Fraud Hearings to be conducted on closed cases. At the point a case is found to be ineligible, it is closed. If fraud is involved, this leaves only the option of court prosecution to apply penalties to the person committing fraud. Pursuing court action is not cost effective unless several hundred dollars are involved; therefore, some fraud cases will go unprosecuted.

*Elimination of purchase requirement.*—Oklahoma was among the states that advocated for the elimination of the purchase requirement in order to simplify administration of the program and to remove a barrier to client participation. The manner in which USDA implemented this change in the program, however, created inexcusable administrative confusion. It also prevented the desirable factors to be obtained by the program up to this date. We consider this to be one of the worst bureaucratic blunders in the history of the Food Stamp Program and it could have been implemented in a different manner. USDA did almost nothing to prepare the recipient for the fact that he was going to get less stamps, even though he was not going to have to pay any money. When elimination of the purchase requirement was initiated, thousands of complaints were registered with our office as a result of the reduction in the number of stamps, although no money was required. USDA could have alerted the public through press releases or other public information methods that the amount of stamps to be received would only be the bonus stamps which they had previously received. The burden of public relations associated with this change in the program rested solely on the states, rather than USDA.

It also goes without saying that Oklahoma would have preferred to totally implement the new program at a far earlier date, if it could have obtained the require-

ments for elimination of the purchase requirement and the new eligibility criteria from USDA. Separating the elimination of the purchase requirement from new eligibility criteria, as USDA finally provided, some 18 months after the date of the Act, required two major changes in the program which totally confused the recipients.

We would also like to discuss briefly some of the proposed changes in regulations that have not yet been finalized which we feel will have a negative impact on the operation of the program as well as increase either administrative or program costs. For more information, we have attached our letters dated May 18, 1979, and May 23, 1979, addressed to the Deputy Administrator for Family Nutrition Programs, commenting on the proposed regulations published at 44 FR 21541 et seq.

*Staffing.*—The underlying fear states have, of the as yet undisclosed regulations of USDA on staffing requirements, is that they will place financial requirements on state and local governments beyond the fiscal ability now present. The Governor and State Legislature of Oklahoma have placed staffing ceilings on all Departments. It is also our understanding that the regulations will require certification staff be composed of the same racial and ethnic composition as the low-income households in the area. This requirement cannot be supported on the basis that staff composition has any effect on participation in the program, and a requirement such as that makes a shambles of merit systems of personnel administration and state affirmative action plans.

*Performance reporting (quality control).*—The requirements for the Performance Reporting System, as proposed in the regulations published by USDA, have misconstrued and far exceeded the provisions of Section 16 of the Act, directing the Secretary of Agriculture to promulgate standards for an "efficient and effective" administration of the Food Stamp Program. We concur that states should establish quality control monitoring systems, but we find the USDA proposal to be totally arbitrary, unworkable and apparently based on a motive of cost containment rather than effective administration of the program. The proposed Performance Reporting Regulations seem to be designed to increase program errors with the possibility of imposition of fiscal sanctions in situations where they are not warranted or even permitted. The system could and would penalize the states unfairly and allegedly give the Secretary an authority to withhold funds for any failure to comply with program requirements, even where errors were completely beyond the state's control.

The result of this System, also, will be to evaluate performance based on a different set of requirements than those imposed in the regulations governing certification. This is obviously not the intent of the Law and is not in accordance with commitments made to the states by FNS in the past. This double standard identifies and places upon Eligibility Workers (and states) errors that cannot be detected at the time of the certification decision. The system would require that the QC reviewer use all aspects of eligibility criteria, even those prohibited to Eligibility Workers by certification regulations. This is the same paradox that the states fought so hard to have removed from the Food Stamp Act of 1964. With this contradiction, states could not possibly qualify for the 60 percent funding incentive. Further, the special FNS validation review, required whenever a state reports a cumulative error rate of less than 5 percent, reflects a basic mistrust of the state's administrative integrity and creates an even greater adversary relationship between USDA-FNS and the states.

Congress gave the states administrative responsibility under the Act, but apparently USDA does not recognize that position. This type of thinking is indicative of the thinking which got the Public Assistance Program into trouble, and that is exactly why the State of Oklahoma will use its own judgment on what would best meet the needs of programs for the citizens of Oklahoma.

Quality control programs should be tools for management to identify those areas of weakness in the eligibility process, as well as to prevent benefit levels from being overstated or understated. Proper use of this tool helps to lower error rates and allows corrective measures to be taken to insure no further repetition of those causes of errors. By helping to lower error rates, while increasing accuracy of the certification process, an ongoing monitoring system does protect taxpayers and the government from the additional expenses of food stamp overissuance, and insures that eligible households receive the amount of coupons to which they are entitled. To obtain an accurate measure of the in-place processes, the food Stamp Quality Control reviews should verify only the information available at the time the certification for eligibility was made.

*Integrated quality control sampling.*—We endorse the integration of the Food Stamp Quality Control reviews with those of AFDC and Medicaid. The difficulties in accomplishing this integration will be serious enough, considering the legislative

and regulatory differences between the programs. They will be even greater unless the states, which conduct the reviews and plan and execute the corrective actions in each of these programs, are permitted to participate in OMB efforts to encourage and make possible such integration. Particularly illustrative of the vacuum in which OMB is currently operating is USDA's proposal, mandated by OMB, to implement food stamp reviews on September 1, thereby arbitrarily starting the Food Stamp Quality Control program out of synchronization with AFDC-QC and MQC. Not only is the sought-after integration thereby thwarted, but the implementation schedule so mandated, since these regulations are still in the proposed stage, is wholly unrealistic in terms of training staff, obtaining FNS forms and programming computers to pull the samples.

*Management evaluation sampling.*—Within the Management Evaluation sample, as proposed by USDA, we would strongly object to the sampling technique. The Department's reliance on "program records" is so obscurely defined that FNS methodology would apparently mandate 14 to 15 different sub-sample lists and supplemental pulls, and the staff and computer time wasted thereunder appear outrageous. Such repetition, though, is inherent in the Performance Reporting System, since the Quality Control reviews duplicate management Evaluation reviews, in identifying for corrective action "deficiencies" which are identical under both systems. Where Management Evaluation or Quality Control reviews identify Outreach deficiencies, they duplicate annual Outreach reviews required of the Outreach Coordinator. Duplication, even triplication, of administrative effort and expense obviously has no place in a Food Stamp Program in which states, as well as the Congress, are seeking to control ever-burgeoning costs.

*Complaint procedure.*—USDA has proposed that the State Agency maintain a system for handling complaints, with a Coordinator designated to handle all activities related to program complaints. We disagree with the proposed regulations that would require states to establish additional complaint systems within the Food Stamp Program. The State Agency has neither the time nor staff available to coordinate and maintain a complaint system for different types of complaints. Presently there are fair hearing procedures and toll-free hotlines, both heavily publicized, to provide every opportunity for individual complaints to be heard and handled. This request appears to go beyond the intent of the law in meeting the efficiency and effectiveness standards. Requirements for states to increase staffs beyond the intent of the Law should not be tolerated.

*Outreach.*—The proposed regulations on Outreach would anticipate that failure to participate in the program is because there is not sufficient knowledge of the program among the population. Our experience in Oklahoma would indicate that this is not the case. In most instances, failure to participate can be traced directly to the fact that the benefit level is not sufficient, especially when contrasted with an arduous application regimen, to interest the potentially eligible family to apply. An analysis of the target population, as predicted by the USDA, for our state population of 2,830,600, would indicate that we have 390,622 potentially eligible clients. This comprises 13.8 percent of our State's population below the poverty level. We had an April caseload of 178,000, which would indicate there are 212,000 additional persons in Oklahoma that could receive food stamps. Our experience since the initiation of the new program shows that for a few months we had an extremely high number of applications, but after people discovered that the stamps for which they qualified were limited, the application level has fallen off.

This is not to say that we are providing benefits to fewer families, because our application level is running approximately 20 percent above the level of last year, but we do not feel that the failure of 212,000 Oklahomans to receive stamps is due to their not knowing of the program but rather their disinterest because the benefits are not sufficient for them to make the effort. We are concerned that since USDA has established Outreach targets, we will be measured against those targets rather than against the effort we are making.

We did not experience this same difficulty in administering the Donated Foods Program since any family which met the eligibility level was entitled to a full allotment of donated foods, whereas in the Food Stamp Program they may qualify only for the minimum amount of \$10.

Oklahoma has historically had a multi-faceted approach to Outreach, which placed great emphasis on family nutrition. In addition to the broad public information and media approaches, traditional to FSP Outreach, all of our Outreach workers now are qualified Home Economists. Their primary individual function under our program is to work with clients to insure that they use their food stamps, in conjunction with their other purchasing power, to provide their family with an adequate diet. USDA, in their proposed regulations, takes little note of that facet of

Outreach but apparently will measure Outreach activity solely on reaching the population that are not applying for benefits.

*Points and hours.*—Like many other features of the Food Stamp Act, this part is reserved by USDA for future release of regulations. We feel that any regulation should be delayed that would require states to increase their present staff loads or to increase the number of operational points or hours of operation. Clearly, Congress' current concern with both the fiscal year 1979 and fiscal year 1980 caps on FSP spending lends strength to the idea of such a delay.

*Summary.*—In summary, we would advocate greater flexibility to the states in establishing administrative procedures. States should also be given some options in adopting standards for eligibility to meet the needs of the citizens in accordance with local conditions.

The needs of the elderly specifically should be recognized in this inflationary economy. We do feel the bulk of new clients we have seen come into the new Food Stamp Program are older citizens who, taking advantage of our statewide mail-out option, no longer have to make sometimes difficult trips to the county seat to personally redeem their ATP and, therefore, have applied for the program. The cap on excess shelter cost deductions under the present definition, coupled with elimination of the medical care deduction, however, has contributed to the fact that most of our elderly citizens receive a minimum benefit. Consideration should be given to doubling the standard deduction and/or considering less than 30 percent of net income available for food.

One suggestion to more adequately meet the needs of the elderly would be to increase the minimum benefit to \$20. Our studies show that this would increase the expenditure for the current caseload by five percent. We think that this proposal should be studied as to national impact, since the administrative cost is the same for a minimum benefit case as for all other cases.

Attachments.

STATE OF OKLAHOMA,  
OKLAHOMA PUBLIC WELFARE COMMISSION,  
*Oklahoma City, Okla., May 23, 1979.*

ALBERTA FROST,  
*Acting Deputy Administrator, Family Nutrition Programs, Food and Nutrition Service, U.S. Department of Agriculture, Washington, D.C.*

DEAR MS. FROST: In related correspondence, dealing with the complaints and Outreach portion of the referenced NPRM, we focused at length on the Department's interpretation of Executive Order 12044, in justifying what we considered an arbitrary and unreasonable shortening of the comment period. In view of the same tortured logic used to the same end in this portion of the NPRM, which covers a number of perhaps the most significant issues found within the Food Stamp Act of 1977, Oklahoma feels constrained to repeat our objection, even if it seems repetitious.

As stated, within the context of EO 12044, the Department evaluated " \* \* \* the importance of public input against the public's and the Department's interest in implementation of the Performance Reporting System as expeditiously as possible to ensure effective and efficient State administration and operation of the program \* \* \*," and cut the comment period to 45 days. Oklahoma would challenge that rational as absolute balderdash! In imposing this 45 day limit on comments, in alleged order to meet the public's interest in timely State administration of the Food Stamp Act of 1977, USDA has blatantly corrupted the intent of EO 12044 merely to sanction its own intransigence in implementing Public Law 95-113. Despite the acknowledged substantial impact which this proposal will have potentially at both State and local levels, USDA has started with an arbitrary and unattainable absolute: September 1, 1979, the mandated QC effective date foisted upon the Department by the Office of Management and Budget and tortuously constructed both its Implementation Schedule and its Comment Period backwards from that date. As the Department cogently notes, Section 1303 of Public Law 95-113 does indeed call for regulations under that Act to be implemented " \* \* \* as expeditiously as possible \* \* \*" yet the Department fails to note that State government has had nothing whatsoever to do with the fact that it has taken USDA 558 days since the effective date of that Act to make this proposal. The Department simply expects States to be prepared to comply with it in 99 days after the comment period closes. At an absolute minimum the requirements of this proposal would necessitate no less than 90 days after publication of final regulations to program computers, organize and train staffs and to obtain USDA forms. By the Department's own estimates, probably not even accounting for the volume and perhaps vehemence of State responses to this proposal, such regulations cannot be published until mid-July, a period which exhausts over half of the time between the close of comments and

September 1. Under no circumstances could even the rudiments of this proposal be in place for QC reviews to start September 1, and all else to commence on October 1. With an established Federal fiscal year which begins on October 1, and established semi-annual periods of October through March for QC in other programs administered by the States, even that latter date would pose less of a problem for State implementation in terms of synchronized controls and potential integrated samples. In establishing this implementation schedule, we have stated, the Department's arbitrariness can severely be measured in the proposal's inflexibility, notwithstanding the commonality of problems both Federal and State governments may face in implementation thereof; and its capriciousness can be clearly calculated in the Department's assignment, albeit backward of all of the burdens of rulemaking and implementation on the States.

Probably the most critical issue of this NPRM, even including the foregoing, is the definition at sec. 275.1(a), of "standards" for effective and efficient administration to include all program requirements contained in the Department's regulations. Oklahoma has joined with several other States in addressing this alarming issue from its legal perspective through comments by Washington counsel, Covington and Burling. We would only note here that in this single perspective, the Department appears destined to enhance an adversary relationship between the Department and the States. By needlessly exceeding Congressional intent, as though only the Department is concerned with program integrity, USDA regresses drastically from what had been a growing openness and cooperativeness between Federal and State governments.

Lest we appear perpetually critical, in sec. 275.2, we support the requirement of a Coordinator and an organizational entity, as an appropriate visibility given to the Performance Reporting System (PRS). With State-level freezes on staffing, and with impending fuel restrictions, we welcome FNS reservations of an ability to waive and to except both "full-time" status and the use of local level review staff as a clearly needed flexibility. In sec. 275.3, we would also generally hope that the Federal monitoring process under the new PRS, will result in more constructive assistance from our Regional "partners," rather than the historic harassment over technical minutia in State Corrective Action Plans (CAP). We do strongly challenge the automatic special Federal review and validation when State error rates drop below 5 percent as unnecessary and an arbitrary implication that the State PRS is potentially suspect. The Federal oversight of a State PRS is constant and the approach of a State to that benchmark for enhanced funding is closely monitored as an inherent part of the process. The necessity of a new review simply means greater cost, greater delay for State and local staff in doing the Program's business, and frankly, renders the 60 percent match not cost-effective.

At sec. 275.4(a), we object to the mandate for strict chronological filing. In a system such as we operate, we file alphabetically by project area (county), by review period and the chronological requirement would simply add another master list to search in order to find chronologically relevant data.

Previously, we have objected to the Complaint's procedure as onerously duplicative; here we would likewise posture the Management Evaluation (ME) review scope and purpose. When incorporated with Outreach, to which we strongly object, the system's objective seems to stack review on review on review, with triple the staff performing essentially the same functions under a different name. Onerous triplication is hardly strong enough. The certification responsibilities under sec. 275.8(b) clearly parallels (duplicating, not complementing) QC discrepancies, and since the bulk of the itemizations are minor, technical errors (deficiencies), it is nonsensical for both QC and ME to be doing it. And the Outreach review, at sec. 275.8(i), again duplicates the Outreach Coordinator's annual review you have mandated at sec. 275.6(d)(3). Within the current struggle in Congress over deficient Federal authority to fund implementation of the new Act for fiscal year 1979, it seems incredulous that FNS would propose PRS duplications that increase costs of administration, while individual benefits are about to be reduced! As a part of the ME process, at sec. 275.9, we strongly object to the sampling technique prescribed. Oklahoman's data system has no way of identifying the universe on: 1. notices of change; 2. notices of adverse action; or 3. work registration; nor can we identify the tax dependency status of students. The FNS methodology would apparently mandate 14 to 15 different sub-sample lists and supplemental pulls, and the staff and computer time wasted appear outrageous. There is no way under your system to pull a single, cohesive sample for all program records as you have defined them.

The quality control review system which the Department proposes at sec. 275.10 et seq. is also a critical issue, most specifically as it harbors the potential for State/Federal anxiety, animosity and even aggression. At the outset, the system continues to mandate for a review of eligibility "as of the review date." It imposes new

mandates for review of factors outside State certification responsibilities; and for QC recomputation of public assistance grants. We again have presented through Counsel our legal concerns that the public mind-set on sanctions and penalties so colors this entire arena, States may even be forced to oppose otherwise worthwhile innovations. Specifically, we would ordinarily applaud the measurement of the program by reviewing facets that would reveal program or Federal barriers to program integrity. To measure, and publish as deficiencies, with attachable dollar losses, items over which the State has absolutely no control seems exceedingly unwise in the current highly-charged atmosphere. We reinforce the argument of Counsel.

Certain specifics of the QC review process do cause us technical and administrative concern. We strongly object to sec. 275.12(b)(ii)(A)(4), in its mandate to " \* \* \* continue the review to the fullest extent possible," notwithstanding the participant's refusal of consent to contact collateral sources. Where there is no evidence of or reason to suspect the existence of fraud or abuse of the program, and where the individual is no longer a participant, that mandate in all cases most certainly does not respect " \* \* \* the rights, privacy, and dignity of the participants." Within Subsection (B) we recommend the proposal be left flexible, as it is now, for the State Agency to permit, where appropriate, either the QC or eligibility staff provide the additional information to clear up discrepancies. At sec. 275.12(b)(1)(iv), we strongly object to the limitation, in error analysis, of determination of cause specifically to the case record. We feel the assignment of State error to any case where the case record alone does not reflect a causal factor is unwarranted and arbitrary, especially when the review process itself may have identified client error.

We repeat, as redundant and not cost-effective, our objection to the provisions of your proposal, here, sec. 275.12(b)(1)(v), which continues the current "Interim QC" practice of QC identifying administrative deficiencies. Prior to the Interim, when ME was suspended, that was the ME function. It should be again, if FNS designs to retain both functions. We further refer to comments of Counsel on the cumulation of dollar errors at sec. 275.12(b)(d).

The "Negative Actions" proposal at sec. 275.13(a) should be modified to specifically allow the State Agency to define what action constitutes the "decision to deny." Section 275.15, Data Analysis and Evaluation, is frankly overwhelming in scope. The cost in terms of staffing and support services may well further reduce benefits available to program participants under the Act. Similarly overwhelming and totally objectionable is sec. 275.16(b) which requires corrective action (CA) on "all identified deficiencies" as well as sec. 275.17 which mandates continuing CA modification on a daily basis. These are absolutely unreasonable requirements which place an intolerable burden on the States. The CA process should be completely amended simply to mandate that the State develop a CA Plan, that the State be required to carry out what is set out in that Plan, and only that the Plan shall be definite and not open-ended. In this same regard, we also object to the 2-tier CAP. In a locally administered setting, and in some large state organizations, such a local CAP may be appropriate. Where a project area is simply a local office of a State Agency operation, the requirement for a CAP is unrealistic and duplicative.

Subpart G, agency program performance at sec. 275.23(b) should be amended to eliminate any "e and e" determination based on "pending litigation." In the first instance, except for Outreach, most FS litigation in the past has dealt with FNS requirements which States are forced to defend in court. Similarly, pending litigation is just that: the issues are before the Court, and until the Court issues its findings of fact and law, the Department has nothing to consider. Finally, we would further support and reaffirm the assertion of our Counsel that enhanced funding was not intended by Congress to be solely retroactive in nature. It is an incentive, and for the reasons set out earlier in regard to special reviews on attainment of the threshold 5 percent, we would assert its only operable, effectively, on a prospective basis. We frankly object to the implication inherent in the lack of prospective funding: again that only Congress and FNS are concerned about program integrity. Our historic efforts at quality assurance amply demonstrate the commitment of the Oklahoma Public Welfare Commission and this Department.

In this vein, we appreciate the opportunity to comment on this NPRM. We pledge our efforts to you to work out these problems we have called to your attention, and hopefully, look forward to the development of a viable, effective Performance Reporting System to preserve and protect the expenditure of both Federal and State funds.

Very truly yours,

L. E. RADER,  
Director of Public Welfare.

STATE OF OKLAHOMA,  
OKLAHOMA PUBLIC WELFARE COMMISSION,  
*Oklahoma City, Okla., May 18, 1979.*

NANCY SNYDER,  
*Deputy Administrator, Family Nutrition Programs, Food and Nutrition Service,  
U.S. Department of Agriculture, Washington, D.C.*

DEAR MRS. SNYDER: At the outset of our comments on the NPRM published April 10, 1979, as referenced above the State of Oklahoma would take strong note of the President's Executive Order 12044, and of the Department's apparent interpretation thereof in proposing new regulations implementing the Food Stamp Act of 1977, Public Law 95-113.

The public announcement by the President in March, 1978 of an Executive Order to improve the rule making process, was greeted at the State level, with considerable enthusiasm. As the "partner", the "alter ego", or the "hands and feet" of the Federal government in the successful implementation of numerous Federal-State programs designed by Congress to serve and better the lives of citizens of both this Republic and the States of their domicile, we applauded the President's goals! We were encouraged by the apparent recognition of the substantial impact which unilateral, Federal administrative decisionmaking can have on the State and its political subdivisions. We welcomed the opportunities for broadened participation and dialog; for careful Federal and State analysis of the impact of such decision-making; and for at least the promise of reasoned application of that Order by all Executive Agencies of the Federal government. Oklahoma, therefore, cannot countenance the interpretation of the Order espoused in the NPRM.

In imposing a 45 day (sic) limit on the response to this proposal, USDA has blatantly corrupted the Order apparently merely to sanction its own intransigence in the implementation of Public Law 95-113. The Department recognizes (in small print but without comment) the substantial impact which this and its companion NPRM will have. Nonetheless, at least in this piece of the proposal, USDA starts with an arbitrary absolute: October 1, 1979, the date when existing Outreach Plans are to expire, and torturously constructs both its Implementation Schedule and its Comment Periods backward from that date. We would challenge the Department that States had absolutely nothing to do with the "slippages" of recent history which have resulted in the Secretary's inability to timely comply with Section 1303 of Public Law 95-113 prior to October 1. To use the expiration of a contract on that date (which by its terms could be modified by the mutual agreement of the parties thereto, to provide for the continuation thereof until new Outreach Plans are approved) as the benchmark behind which all comments and implementation must laboriously be constricted, absolutely makes a "hollow mockery" of the President's commitment to openness and reason in government. The Department's arbitrariness can surely be measured in the entire Proposal's inflexibility, notwithstanding the commonality of problems both Federal and State governments may face in implementation thereof; and its capriciousness can be clearly calculated in the Department's assignment, albeit backward, of all of the burdens of rule making and implementation upon the States.

The Complaint Procedure proposed for Section 271.6, in no small way illustrates our fundamental concerns. We strongly disagree with the Department's proposal to require States to establish an additional complaint system within the Food Stamp Program (FSP). There is no Congressional authorization for a complaint procedure of this kind, either in Public Law 95-113, or its legislative history. In the vast majority of States, the agency administering the FSP already has in place designated staff serving the Civil Rights, Affirmative Action, and/or Section 504 coordination, compliance and complaint function. The Department's mandate for yet another design seems onerously duplicitous, especially when addressing the specific focus of the covered complaints. The Department wisely recognizes and provides for potential overlap with fair hearing procedures and on-line civil rights system; yet the nature of the complaints, the "barriers" cited in the Preamble, may well duplicate and/or conflict with other systems created by the Department itself. Long lines and insufficient hours we would presume the Department intends to address in its NPRM on "points and hours." And without some guarantee that those proposals will allow States a great deal of flexibility within general, Federal parameters, States seem to be placed in the position of simply designating staff to spend needless, wasted time explaining FNS Standards! Further, should it be contemplated that the records of such complaints could be used as empirical evidence in support of or against such standards, the aforementioned Executive Order and Title 5 of the U.S. Code make ample USDA's opportunity for soliciting that kind of public comment. We strongly urge USDA to delete this entire Section from its final regulations.

Within the NPRM on Outreach, we would raise several comments relating to specific proposals. Initially, through the subsections following Section 272.6(b)(2), we see a great emphasis on State efforts to crosscut Federal programs through referrals to and from various Federal or federally-directed State agencies. Nothing in this NPRM breathes even a hint, however, of a corresponding and concurrent commitment by the Department to facilitate the accomplishment of this cross-pollination by securing the prior agreement at high levels of other Federal agencies. In fact, within the purview of "burdens" previously noted, the Department seems committed only to watching the State do all it can do, all alone, until failure or a lack of success shows up in the Performance Reporting System Review as a potential penalty against the State. How sad it is that the Department's historical hide-bound inertia, existing in the vacuum of its own making, cannot seem to capitalize on a clear Congressional mandate, and invigorate the Federal establishment with a new initiative to cooperate, involving the Secretaries of Agriculture, Labor, Interior, HEW, HUD, et al, and to communicate that initiative to the Regional, District and local offices or sub-grantees of each of its agencies. Oklahoma's experience with the Department's interim regulations was uniform only in the questioning, posed by local Federal agencies or those State agencies under direct and absolute Federal direction (unemployment compensation, for one), and challenging the source of authority of Oklahoma's posters and other information. Invaluable time was lost while such local offices checked their Regional offices, which, in turn checked Central offices for permission, ad nauseam. It seems only logical that if the Department wishes to mandate such cooperation between agencies, it should prepare the way by securing prior clearance and commitment from appropriate, high-level Federal officials.

In this same context, we seriously question the apparent mandate at Section 272.6(b)(2)(ii), for the referral of FSP applicants to other programs, specifically the WIC program. The Act itself, at Section 11(e)(15)(c) mandates only the displaying of posters. The USDA mandate for active referral seems unwarranted under the Act and impractical as well, especially to the WIC program. In Oklahoma this program is periodically faced with a freezing of case loads due to a lack of funding in the 46 out of 77 counties which have a WIC program. All these referrals will result in, therefore, is but another name at the bottom of a very long and stagnant list, and considerably more frustration for a potentially embittered client.

The brief Departmental referral at Section 272.6(b)(3)(iii), to a simple poster-based nutrition education program, raises little Oklahoma sympathy. Previous comments by Central Office FNS staff had espoused a strong USDA commitment to statewide nutrition education. This brief mention, coupled with the FNS decision to place the balance of nutrition education funding with EFNEP which operates in Oklahoma in only 12 of 77 counties, seems to gut the thrust of that prior commitment. In fact, we find the Department's opportunity to stress the importance of good nutrition, raise the level of nutrition in low income households and enable a much needed adult nutrition education program nationwide, not only grossly disappointing but terribly inadequate. Mere pamphlets and posters might be adequate if: 1. clients have a high comprehension rate of what is read; 2. clients can relate the credit information to their own health needs, dietary problems, cultural, ethnic influences and individual situations; and 3. all clients needing such information are literate. We strongly feel, with the inception of EPR, a concentrated and intense nutrition/consumer education program is imperative. The importance and handling of the family's food budget for optimum nutrition benefits is only possible through adequate education. A poster (or pamphlet) is hardly sufficient.

Within the NPRM coverage of media contacts, at Section 272.6(b)(4), we would note that since media coverage is a public service effort, the State has little control over the selection, use or priority of submitted material. We strongly feel this section should be corrected to read that FNS will not object where the State has shown a good faith effort at submitting pertinent information to the media.

Section 272.6(b)(7)(viii) lists, as a participation barrier to be reviewed periodically, the "number of certification staff and the racial and ethnic composition of that staff as compared to the low income households and minority groups in the project." The Oklahoma State Agency, being an Equal Opportunity Employer under a Merit System of Personnel Administration, finds this USDA suggestion particularly objectionable. To our knowledge, few if any State personnel systems categorize the job applicant register as to racial and ethnic composition. We especially object to the identification of this "barrier" as subject to corrective action efforts.

The Outreach Evaluation process, set out in 272.6(d)(3) mandates participation by representatives of organizations, agencies and client groups outside of State agency. Oklahoma strongly and emphatically objects to this mandate. Assistance, voluntarism, and cooperation will not only be appreciated and welcomed but will also be

solicited by our Agency from these groups. Likewise, the A-95 process will annually circulate this Agency's Outreach Plan to broad numbers of these groups. We specifically object, though, to active and formal participation and input into the Annual Evaluation Report of our program activities.

We recognize the inordinate length of this comment on your Notice of Proposed Rulemaking; however, the seriousness of the Department's perversion of Executive Order 12044 solely for the sake of timing had to be addressed at length. We do appreciate the opportunity to comment and hope our suggestions will assist you in the preparation of final Complaint and Outreach requirements.

Very truly yours,

L. E. RADER, *Director.*

NATIONAL COUNCIL OF STATE  
PUBLIC WELFARE ADMINISTRATORS,  
*Washington, D.C., June 11, 1979.*

Hon. GEORGE S. MCGOVERN,  
*Chairman, Subcommittee on Nutrition, Senate Committee on Agriculture, Nutrition,  
and Forestry, U.S. Senate, Washington, D.C.*

DEAR SENATOR MCGOVERN: On February 28, 1979, your Subcommittee heard testimony on the Administration's proposed FY 80 budget for food and nutrition programs. As Chairman of the National Council of State Public Welfare Administrators of the American Public Welfare Association, I appeared before the Subcommittee with my colleague from South Carolina, Virgil Conrad, Chairman of the Council's Food Stamp Committee, to provide you with the Council's views on future funding for the food stamp program.

As you may recall, the Council vigorously urged the Subcommittee to remove entirely the cap on food stamp program appropriations—returning to an open-ended authorization subject only to the regular Congressional appropriations process. We believe that such an approach is consistent with the Congress' desire to exercise control over program spending, while remaining true to the spirit and intent of the food stamp program—to provide minimally adequate nutrition assistance to all eligible poor persons (please see pages 2-7 of the Council's February 28 testimony, attached for your information).

Although I am unable to appear before the Subcommittee today, I ask that the text of my letter and its attachments be entered into the record.

We understand that your purpose is to begin oversight hearings on the often bewildering morass of federal rules and regulations governing the operation of the food stamp program. We concur that such a review is in order and the Council applauds this effort. Nevertheless, the Council firmly believes that the food stamp program is an essential component of the nation's public assistance system and that its contribution to reducing poverty and malnutrition is unequalled. Because the food stamp program assists so many truly indigent families and individuals, the Council's overriding concern at this time is that the program's benefits not be disrupted because of an anticipated shortfall in funding.

In early May, state administrators were notified by USDA Secretary Bob Bergland that, unless the Congress acted quickly, we would be required to impose pro-rata reductions—beginning July 1, 1979—in order to stay within the present fiscal cap. Implementing such benefit reductions would not only cause recipients a terrible hardship, but would require chaotic and costly administrative action. Further, the likelihood of time-consuming, costly litigation cannot be ignored.

On May 16, the Council informed the Secretary that his notification provided insufficient lead time to states to make the necessary adjustments and computations. (The May 16 letter to Secretary Bergland is attached. In addition, please note the Council's June 7 Resolutions, attached.) The majority of states will require lead time of not less than 60 days to be able to implement pro-rata reductions. With but two weeks until July 1, it is now impossible to comply with the Secretary's instructions. In fact, at this point, most states would be unable to meet an August 1 deadline.

Because of the need for lead time, however, any further delay by the Congress could force Secretary Bergland to order the states to take the necessary administrative steps for imposing ratable reductions by August or September 1. Even if the Congress were to remove or lift the cap later in the fiscal year, the federal and state governments would still have been forced to incur the additional administrative expense of reworking the system for reductions, even if they were never ordered implemented.

It is for these reasons that the Council respectfully requests that the Subcommittee on Nutrition report, without further delay, legislation to remove the fiscal year

1979 cap or, at the very least, to lift it by not less than the \$620 million recently approved by the House Agriculture Committee in H.R. 4057. (Please see our May 22 letter to the members of the House Agriculture Committee, attached for your information.)

We further urge that detailed oversight of food stamp program administration continue, independent of legislation to remove or lift the fiscal year 1979 cap. In this way, the Congress can expedite movement of the fiscal year 1979 cap legislation, while simultaneously beginning review of the program's benefits structure and administration. The statutory and regulatory changes that the Council and others may recommend in the course of ongoing oversight hearings could then be addressed during consideration of the administration's proposed fiscal year 1980 food stamp program legislation.

In concluding, let me reiterate that the Council believes there is room for significant improvement in food stamp program administration—largely through eliminating many of the cumbersome federal statutory and regulatory requirements now strangling the program. Giving states greater flexibility in program administration will result in a better and less costly food stamp program. Ratable reductions in benefits will not.

Please be assured that we are deeply committed to improving the program's management so that it may better serve poor people. Toward this end, the Council attempts to work closely with interested Congressional members and Department of Agriculture staff. As always, we stand ready to assist your oversight efforts with any information and technical assistance you may require.

The Council appreciates your careful consideration of our comments.

Sincerely,

JOHN J. AFFLECK,  
*Chairman.*

Enclosures.

#### RATABLE REDUCTIONS IN THE FOOD STAMP PROGRAM

Whereas The National Council of State Public Welfare Administrators supports legislation to remove the cap on food stamp program appropriations; and

Whereas the Council exhorts the Congress to act expeditiously on such legislation; and

Whereas the Council has previously communicated to USDA its position that states be provided sufficient lead time to implement federally mandated program changes: Therefore, be it

*Resolved*, That the National Council of State Public Welfare Administrators protests the inadequate lead time allowed by USDA for implementing ratable reductions in food stamp benefits in fiscal year 1979. Be it further

*Resolved*, That the Council shall inform appropriate USDA and Congressional staff that a number of states will be unable to comply with USDA-issued instructions regarding implementation of ratable reductions by July 1, 1979.

Adopted by the NCSPWA Food Stamp Committee, May 21, 1979.

Adopted by the National Council of State Public Welfare Administrators, June 7, 1979.

#### FOOD STAMP PROGRAM QUALITY CONTROL AND FISCAL SANCTIONS

Whereas quality control is primarily intended to be a constructive tool of management; and

Whereas the National Council of State Public Welfare Administrators recognizes the importance of establishing appropriate quality control standards for the food stamp program; and

Whereas fiscal sanctions are not consistent with the objectives of quality control and do not improve program management; and

Whereas lacking local flexibility, states administer the food stamp program's complex and explicit statutory and regulatory requirements as dictated by the Congress and the Department of Agriculture: Therefore, be it

*Resolved*, That the National Council of State Public Welfare Administrators will oppose any legislation or regulations which would impose on states fiscal sanctions based on quality control error rates in the food stamp program. Be it further

*Resolved*, That the Council will establish a task force on food stamp quality control and fiscal sanctions issues. This task force shall be empowered to negotiate, on behalf of the Council, with USDA and Congressional staff.

Adopted by the NCSPWA Food Stamp Committee, May 21, 1979.

Adopted by the National Council of State Public Welfare administrators, June 7, 1979.

## FOOD STAMP PROGRAM RECOUPMENT

Whereas the National Council of State Public Welfare Administrators supports recovering overpaid food stamp benefits from both currently eligible and former recipients; and

Whereas recoupment of correctly paid benefits via the federal tax system would be administratively complex and costly for states; and

Whereas states would incur substantial new administrative costs without receiving any of the benefits of such a recoupment system: Therefore, be it

*Resolved*, That the National Council of State Public Welfare Administrators opposes legislation which would recoup food stamp benefits through the federal tax system.

Adopted by the NCSPWA Food Stamp Committee, May 21, 1979.

Adopted by the National Council of State Public Welfare Administrators, June 7, 1979.

## FOOD STAMP PROGRAM PERFORMANCE REPORTING SYSTEM REGULATIONS

*Resolved*, That the National Council of State Public Welfare Administrators will communicate to Department of Agriculture staff the Council's strong belief that final Performance Reporting System regulations must fully comport with certification regulations.

Adopted by the National Council of State Public Welfare Administrators, June 7, 1979.

This letter sent to all members of the House Agriculture Committee:

The National Council of State Public Welfare Administrators of the American Public Welfare Association urges you to vote in favor of H.R. 4057 when it comes up before the Agriculture Committee on May 23.

The Council's first preference is to completely remove the cap on food stamp program appropriations in fiscal year 1979 and subsequent years. We were disappointed by the Subcommittee's decision to only lift the cap by \$650 million. However, any reductions in the Subcommittee's bill would surely result in the need to impose ratable reductions in the food stamp allotments of all eligible recipients in the remaining months of fiscal year 1979.

Such reductions will be a terrible hardship for the recipients of food stamps. Moreover, implementing such reductions will result in a very costly administrative burden for both the states and the federal government. Notifying recipients of the reductions, making the necessary computations (by manual issuance, as well as by computer), responding to innumerable public inquiries, and conducting appellate proceedings—for the possibility of error is great—will tax state agencies' manpower and funds to the limit. And, as we notified Secretary Bergland on May 16, many states will be unable to implement pro-rata reductions by July 1, 1979.

As administrators we are intimately familiar with the food stamp program. Please be assured that the 1977 law—now being implemented—restricts access to the food stamp program to only the very poor. Introducing additional program restrictions, in the hope of eliminating "high income" persons from the program, will result in increased administrative complexity and cost, rather than in cost-reduction.

The Council believes that there is room for significant improvement in program administration—largely through eliminating many of the cumbersome federal statutory and regulatory requirements now strangling the program. Giving states greater flexibility in program administration will result in a better and less costly food stamp program. Ratable reductions in benefits will not.

It is imperative, therefore, that you vote in favor of lifting the fiscal year 1979 cap by at least the \$650 million recommended by the Subcommittee.

The Council appreciates your careful attention to this serious matter.

Sincerely,

JOHN J. AFFLECK,  
*Chairman, National Council of State  
 Public Welfare Administrators,*  
 and  
*Director, Rhode Island Department of  
 Social and Rehabilitative Services.*

NATIONAL COUNCIL OF STATE PUBLIC WELFARE ADMINISTRATORS  
OF THE AMERICAN PUBLIC WELFARE ASSOCIATION,  
Washington, D.C., May 16, 1979.

Hon. BOB S. BERGLAND,  
*Secretary of Agriculture,*  
*Administration Building, Washington, D.C.*

DEAR MR. SECRETARY: On May 8, 1979, all state welfare commissioners were notified, by telegram, of the Department's intent to publish special regulations to implement, by July 1, 1979, ratable reductions in food stamp benefits in the event Congress fails to remove or lift the cap on fiscal year 1979 program expenditures.

As you know, the National Council of State Public Welfare Administrators of the American Public Welfare Association actively supports legislation to remove the cap in fiscal year 1979 and subsequent years. We appreciate the Administration's commitment to securing adequate funding for the program and will continue to cooperate with the Department in achieving this shared objective.

However, it has become apparent that a number of states will be unable to comply with the Department's instructions to make adjustments in their automated or manual issuance systems in order to implement possible ratable reductions by July 1. Many states with automated systems will find it impossible to reprogram their computers in June when they will still be completing their caseload conversion to the new eligibility regulations. States with manual systems have voiced serious concern over being able to make the necessary changes in such a short time frame.

While the Council realizes that the Department has little choice in this matter, we wanted to inform you, at the outset, of the likelihood that a number of states will be unable to meet a July 1 deadline.

Like you, we remain hopeful that the Congress will move swiftly to remove or lift the cap so that reductions will not be necessary.

Sincerely,

JOHN J. AFFLECK,  
*Chairman, National Council of State*  
*Public Welfare Administrators,*  
and  
*Director, Rhode Island Department of*  
*Social and Rehabilitative Services.*

U.S. DEPARTMENT OF AGRICULTURE,  
FOOD AND NUTRITION SERVICE,  
Washington, D.C. May 8, 1979.

JOE SHEPHERD/RAY PUCH:

All State Welfare Commissioners (see attached list):

Projections indicate that program spending will substantially exceed the appropriation cap for fiscal year 1979. We are actively seeking additional funding from congress. However, benefit reductions, as required by section 18(b) of the Food Stamp Act of 1977, may be necessary if sufficient additional funds are not provided. Therefore, a special regulation will soon be published setting forth new procedures States must institute now in order to be prepared to make pro rata benefit reductions if this becomes necessary.

The special regulation will direct States with both automated and manual issuance systems to add the necessary programming or administrative steps to the usual July 1 adjustment procedures so that you will be able, if the Secretary so directs, to reduce monthly benefits by a specific percentage.

States with computerized issuance will be required to write into their computer programs a new, final computation to reduce benefits by a specified percentage, such percentage to be stated down to one-tenth of 1 percent. The resulting benefit reduction amount will be rounded to the nearest dollar. The specified percentage will initially be zero, so that the program will essentially be inactive. If the Secretary determines that benefits must be reduced, you will be notified of the specific percentage reduction factor to be entered into the computer at that time. In manual issuance systems, tables will be provided by FNS if and when it becomes necessary to order a reduction. The table will consist of: (1) the allotment prior to the section 18(b) reduction, and (3) the amount of the decrease. Project areas with manual issuance may, in the event of a benefit reduction, either manually change issuance documents in advance, or change the documents at the actual time of issuance.

We hope that no benefit reductions become necessary and we have requested the needed funds. However, we cannot violate the Food Stamp Act and the Anti-Deficiency Act, and must live within the funding level provided. Therefore, it is

essential that States take necessary actions now to enable a swift response if benefit reductions are ordered.

ROBERT GREENSTEIN,  
*Acting Administrator.*

TESTIMONY OF THE NATIONAL COUNCIL OF STATE PUBLIC WELFARE ADMINISTRATORS OF THE AMERICAN PUBLIC WELFARE ASSOCIATION BY JOHN J. AFFLECK, DIRECTOR, RHODE ISLAND DEPARTMENT OF SOCIAL AND REHABILITATIVE SERVICES AND CHAIRMAN NATIONAL COUNCIL OF STATE PUBLIC WELFARE ADMINISTRATORS FEB. 28, 1979

Mr. Chairman, members of the Subcommittee, good morning. My name is John J. Affleck and I am Director of the Rhode Island Department of Social and Rehabilitative Services. I also serve as the Chairman of the National Council of State Public Welfare Administrators (NCSPWA) of the American Public Welfare Association (APWA).

With me today are Mr. Virgil L. Conrad, Commissioner of the South Carolina Department of Social Services, and Ms. Rikki Baum, of the APWA staff. Commissioner Conrad joins me in representing the views of the Council on future funding for the food stamp program. We very much appreciate your giving us the opportunity to comment on this important issue.

Mr. Chairman, I realize that time is very nearly as scarce a commodity on Capitol Hill these days as are federal budget dollars—so I propose to keep my comments brief. However, I do ask that my entire written statement be included in the record. Commissioner Conrad and I will be happy to answer any questions you may have.

Let me begin by explaining that the Council is composed of those officials in each state, the territories, and the District of Columbia who are responsible for administering myriad income maintenance and social service programs which provide assistance to millions of vulnerable, low-income individuals and families. These programs include, among others, Food Stamps, Aid to Families with Dependent Children (AFDC), and General Assistance.

Over the years, we have watched this network of public assistance programs grow and become increasingly complex. As administrators, we have kept stride with program growth—including growth of the food stamp program in 1974 and 1975. We have developed and continue to refine sophisticated management systems to cope with burgeoning demands. Despite frustrating fiscal constraints at both the state and federal levels of government, often baffling legal constraints, and burdensome, bureaucratic red-tape, we are committed to and care about the people we serve. While we are proud of what we have accomplished to date, we recognize that there are still many problems to be solved. In fact, next to program applicants and recipients, we probably know these problems better than anyone else.

Mr. Chairman, it is precisely because of our first-hand expertise in administering the food stamp program on a daily basis that we believe we can assist this Subcommittee as it considers appropriate funding for the program. There are two issues we wish to address at this time. First it is essential that the Congress act expeditiously to remove the legislated ceiling, or cap, on federal funding for the food stamp program and return to an open-ended authorization subject only to the regular Congressional appropriations process. Second, it is equally important that the sum budgeted for the food stamp program realistically reflect the current estimates of program costs in fiscal year 1980.

#### REMOVING THE CAP

The Food Stamp Act of 1977 was signed into law (Public Law 95-113) on September 29, 1977. The comprehensive legislation substantially overhauled program policies and administrative procedures, intending to: (1) eliminate non-needy persons from the programs, (2) improve program administration and reduce fraud, (3) make the programs more accessible to the most needy individuals, and (4) control program costs. In order to achieve the latter two objectives, the new law eliminated the purchase requirement and, at the same time, imposed a ceiling on the funds authorized to be spent on the program for each fiscal year, through FY 81, when the program is up for re-authorization.

Elimination of the purchase requirement (EPR) is probably the single most important revision wrought by the new law. As you are aware, EPR was implemented nationwide on January 1, 1979. It is anticipated that EPR will somewhat increase the caseload by making the program more accessible to the poorest people. However, as I will discuss later, tighter eligibility requirements under the new law will probably decrease caseload at a greater rate than EPR will increase it.

It is laudable that the Congress moved to eliminate the purchase requirement—thereby removing one of the program's greatest barriers to participation of very

poor people. However, at the time this controversial provision was under consideration, Congress was particularly sensitive to the dramatic increase in program participation—and the associated increase in program costs—that occurred during the 1974–75 recession. The so-called “food stampede” of the mid-1970s peaked in April 1975, when 19.3 million persons participated in the program. In fiscal year 1976, program costs climbed to \$5.7 billion. Fearful that EPR would result in substantially greater program costs, Congress sought to limit federal outlays by capping the program’s authorization as follows:

[In billions of dollars]

Fiscal year:	Legislated ceiling
1978.....	\$5.848
1979.....	6.159
1980.....	6.189
1981.....	6.236

At this point, it appears as if the cap may be exceeded in fiscal year 1979. However, there is no doubt that the \$6.189 billion cap will be exceeded in fiscal year 1980. Both the Administration and the Congressional Budget Office estimate that actual program costs will exceed the cap by at least \$738 million. The Congressional Budget Office estimates that program costs could exceed the cap by as much as \$1.4 billion.

With the current pressure to control escalating federal costs, it is easy to understand the Congressional desire, in 1977, to hold down program expenditures. However, the reasoning underlying the legislated cap on program expenditures is fallacious for a couple of reasons. First, the food stamp program is the only federally funded program with universal coverage—that is, all indigent persons and families are potentially eligible for assistance. The AFDC program helps families with dependent children. The SSI program assists aged, blind, and disabled persons who are also in financial need. Only the food stamp program offers some federal assistance to poor individuals and childless couples who do not qualify for the aforementioned programs.

Indeed, one of the lessons we learned during the 1974–1975 recession is that the food stamp program is successfully responding to the needs of individuals and families adversely affected by national economic circumstances quite beyond their individual control. In fact, it is likely that access to the food stamp program prevented many of these new recipients from having to seek other sources of public assistance. Therefore, it is inconsistent to create a program that is designed to provide some in-kind assistance to all poor people and then arbitrarily limit the funds available for the program. If we are correct in assuming that Congress still intends the food stamp program to be responsive to all eligible, needy persons and families, we must vigorously protest the continued imposition of the cap.

Second, advocates of the cap incorrectly assumed that program costs could be perfectly projected. There are two basic factors contributing to the overall cost of the program—the number of participants and the cost of food. It is our experience that neither item can be accurately predicted. For example, the significant increase in food stamp program participation in 1974–1975 can be largely explained by the high rate of unemployment then plaguing the nation. As unemployment rose from 5.5 percent in August 1974 to 8.9 percent in May 1975 (an increase of 60 percent), enrollment in the food stamp and commodity programs rose from 15 million in August 1974 to 19.3 million in May 1975 (an increase of 30 percent). Then, as unemployment declined, so, too, did participation in the food stamp program. Based on our experience with the 1974–1975 recession, it appears as if a 1 percent increase in the unemployment rate can increase food stamp program participation by 500,000 to 750,000 individuals.

It is virtually impossible to accurately predict the rate of unemployment for one year—much less for three or four years down the road. Experts currently disagree on the nation’s economic forecast for fiscal year 1980. We understand that the Congressional Budget Office is predicting a somewhat harsher economic climate in fiscal year 1980 than is the Administration. A recession, even a mild one, can significantly effect the rate of unemployment and, consequently, the rate of participation in the food stamp program. If the cap is not removed, and program participation increases due to an economic slowdown, steep ratable reductions in benefits will be unavoidable and will cause great hardship among recipients. Moreover, from an administrative standpoint, implementing across-the-board benefit reductions would be nightmarish. We suspect that notification to all recipients would be

required, fair hearings would be demanded, and ultimately, lawsuits would proliferate.

It is equally evident that we cannot accurately predict the cost of food—the other major determinant of food stamp program costs. Using 1976 as a base year, the Congressional Budget Office initially expected food prices to climb 12.5 percent by 1979. Recently revised CBO estimates now place food price inflation at 26 percent by 1979. Similarly, the original CBO estimate for food price inflation by 1980 (again compared to the base year of 1976) had been 16.9 percent, and by 1981, 21.8 percent. The revised estimates now indicate an inflation rate of 36.2 percent by 1980, and 46.1 percent by 1981.

In revising its estimates, the Congressional Budget Office considered numerous factors that are known to influence the cost of food. Notably, some two-thirds of food costs are derived from other than actual agricultural costs—including the costs of marketing and processing foodstuffs, transportation costs, labor costs, and packaging costs. Many of these same “middle-men” costs have been cited by farmers as contributing to food inflation, while detracting from farmers’ livelihoods. Other factors taking their toll including the weather—as unpredictable as it is critical to successful harvests, the beef cycle, the high cost of energy, and the general rate of inflation.

We emphasize these points because we believe it is inequitable to legislate a cap on federal expenditures for feeding poor people when no attempt is made to regulate the other costs contributing to food price inflation. Clearly, neither the weather nor the OPEC countries can be regulated. However, the “middle-men” costs, the cost of grain, and the beef cycle can be and are manipulated. We ask only that the poor not be forced to bear the greatest burden of food price inflation.

In light of the difficulty of accurately predicting food stamp program costs, and the hardship that will surely result if the cap is not removed, the National Council of State Public Welfare Administrators will support legislation to repeal the cap on food stamp program expenditures. We commend you, Mr. Chairman, and Senator Dole, for your support of such a provision. We understand that the Administration intends to submit a legislative proposal that will also seek to remove the cap.

#### THE BUDGET AUTHORIZATION

Assuming for the moment that the cap will be removed from the food stamp program, I would like to turn now to the next important issue—the sum to be requested as budget authority for program expenditures.

In the Administration’s fiscal year 1980 budget, \$6.927 billion has been requested. This figure is \$738 million over the cap. However, the Administration has assumed a cost savings in fiscal year 1980 of \$152 million. This savings is anticipated to result from administrative improvements requiring new legislation. We understand that the Administration’s package will propose that states may, at their option, utilize a retrospective budgeting system. It has been suggested that this feature could result in a \$20 million savings in fiscal year 1980. The Council has no objection to this proposal so long as it remains an option. In addition, the Administration is expected to propose a fiscal sanctions policy to penalize states which have error rates in excess of some tolerance level to be established by the federal government. This provision is projected to save \$132 million in fiscal year 1980.

Meanwhile, the Congressional Budget Office is estimating that the actual program costs in fiscal year 1980 could go as high as \$7.559 billion. This figure exceeds the Administration’s request by \$632 million. According to CBO staff, \$480 million of that difference is due to differing economic assumptions—primarily the rates of unemployment and food price inflation, discussed earlier. The remaining \$152 million discrepancy results from CBO’s assumption that the administrative cost savings identified by the Administration will not materialize in fiscal year 1980.

Mr. Chairman, as state administrators, we do not pretend to have a more accurate vision of the nation’s economic future than the Administration. Yet we are disturbed by the great difference in cost projections offered by the Administration and the Congressional Budget Office. We hope that the \$480 million discrepancy resulting from their differing economic assumptions will be reviewed and the assumptions carefully weighed before a budget recommendation is made.

When it comes to administrative improvements, however, state administrators do have abundant experience and expertise. Let me reiterate that we are deeply committed to compassionate, effective, and efficient program administration. We continue to do our part to reduce program errors and misspent dollars—despite the fact that states have no control over food stamp program guidelines or regulations. Unlike the AFDC program, the food stamp program’s policies are purely federal. States have no flexibility; we agree to run the program as the Congress and the Department of Agriculture dictate. There is a good deal of sentiment among admin-

istrators that many of the problems that result in errors are inherent in the federal regulations governing the program.

Beginning tomorrow, March 1, 1979, states will begin converting the current food stamp caseload from old law to new law eligibility regulations. We will have 120 days to complete conversion. We anticipate a short-term increase in state error rates as a result of conversion. Insufficient lead time to train our staff and adequately prepare for the complex transition from old to new law—caused, in large part, by USDA's lengthy delay in publishing final regulations—will exacerbate matters.

Despite the anticipated increase in errors during conversion, we have reason to believe that the new law, once fully implemented, will show cost savings due to error reduction, tighter eligibility requirements, and improved administrative practices. As I mentioned earlier, two of the new laws' objectives are to eliminate non-needy persons from the program and to reduce fraud and error. Toward these ends, the law does several things: First, it imposes net and gross eligibility standards. Second, it replaces old law's itemized income deductions with a more easily administered, standardized income disregard. This new standard income disregard is expected to simplify the certification process, reduce the potential for error, and prevent high-income households from becoming eligible or retaining eligibility. Third, the new law strengthens work requirements. Fourth, it limits student participation in the program. Fifth, it abolishes automatic, categorical entitlement to food stamps for AFDC and SSI recipients. Finally, the new law revises the income and assets tests, requires states to use a single application form for both public assistance and food stamp benefits, revises certification procedures, encourages states to be vigorous in prosecuting fraud, and increases the reporting requirements of food stamp recipients.

It is impossible to predict, at this time, how much money these new provisions, once implemented, will save. The Administration did not attempt to project a cost-savings for these provisions in the fiscal year 1980 budget request. However, nearly all of these provisions serve to tighten eligibility for the program. And it appears as if these tighter eligibility requirements—which serve to reduce program participation—will more than offset any projected new caseload due to elimination of the purchase requirement. USDA recently estimated that in July 1978 there were 30.8 million persons in the country who were eligible to participate in the food stamp program under old law. (In actuality, only 14.5 million of those persons, or 46.9 percent, received food stamps.) However, had the new law been in effect in July 1978, USDA estimates that only 27.3 million persons would have been eligible—a net reduction in the eligible population of 3.5 million persons, or 11.4 percent.

Because we anticipate federal cost savings due to the substantive program reforms of the new law, we are dismayed by the administration's proposal to save federal dollars in the fiscal year 1980 budget by imposing fiscal sanctions on states. We object to sanctions for a number of reasons. To begin with, we believe that the federal government should be shouldering a greater share of the costs associated with operating public assistance programs. The administration claims to support this notion—witness its attempt to provide fiscal relief to state and local governments as part of its welfare reform initiatives. Yet, its support for fiscal relief notwithstanding, the administration now proposes to shift additional food stamp program costs to the states by imposing sanctions.

Second, as you may be aware, state administrators have consistently opposed attempts to impose fiscal sanctions in the AFDC and Medicaid programs. The Department of Health, Education, and Welfare (HEW), having already lost one court case on its sanctions policies, is about to release new, revised sanction regulations. These new regulations are untried. Yet, it is our understanding that USDA proposes to emulate these untested HEW regulations in developing food stamp program sanctions.

We believe such an approach to be wholly inappropriate. HEW proposes to set an error rate tolerance level. States with error rates below the designated tolerance level would not be subject to sanctions. States with error rates above the tolerance level would have to reduce errors over time according to a specified "historical rate of reduction." We have serious reservations about the validity of this approach for the AFDC and Medicaid programs—but we believe it untenable that USDA proposes to implement a similar system for the food stamp program in fiscal year 1980. For one thing, USDA has insufficient data for computing an "historical rate of reduction" for errors in the food stamp program. Moreover, if sanctions were to be implemented in fiscal year 1980, the base year—for purposes of comparing error rates over time—would have to be fiscal year 1978 or fiscal year 1979. However, that would result in comparing apples and oranges—comparing errors under new law in

fiscal year 1980 with fiscal year 1978 old law errors or fiscal year 1979 conversion errors.

A third objection is the fact that the states have no control over program regulations. At least in the AFDC program we exercise some control over administrative policies. In the food stamp program, however, we are bound by federal guidelines. We may, as the proverbial saying goes, be caught between the rock and the hard place; the federal government may penalize states for error rates caused, in part, by awkward, inconsistent federal rules over which states have no control.

Our fourth objection stems from our sincere conviction that sanctions do not solve management problems. Food stamps are 100 percent federally funded. States pay for 50 percent of the administrative costs. If the federal government were to sanction a state, the sanction would probably be limited to the federal funds used to reimburse the state for its administrative costs. Permit me to narrate a likely scenario: A state has failed to reduce its error rate satisfactorily and is subject to a sanction. The federal government withholds a portion of the federal dollars used to reimburse the state's administrative costs. More than likely, the administering agency is already understaffed and is financially strapped. The sanction cuts even further into administrative funds. The agency administrator requests supplemental state funds from the state legislature to compensate for the loss of federal dollars. The legislature—probably forbidden by law to run a deficit, and feeling the pressure of Proposition 13-type initiatives—denies the agency's request. Facing a loss of administrative funds, the agency administrator cuts back further on staff and technical improvements. The outcome is that errors increase and recipients receive worse service. We do not believe that this is the outcome intended by either the Congress or the administration. Yet, a fiscal sanctions policy may well result in just this unhappy state of affairs.

Because we believe that the new law, when fully implemented, will result in cost savings due to administrative improvements—without having to impose sanctions—we strenuously object to a proposed sanctions policy on the grounds that:

- (1) The federal government should not shift program costs to the states,
- (2) It would be highly irresponsible to utilize an untested sanctions policy devised for the AFDC program—and inappropriate for the food stamp program—for a number of technical reasons,
- (3) States have no control over the federal rules which govern the program, and
- (4) Sanctions do not solve management problems—but rather, result in poorer service to recipients.

We respectfully ask, therefore, that the Subcommittee reject legislation proposing to utilize sanctions. Further, we urge the subcommittee to assume, like the Congressional Budget Office, that cost savings, due to proposed sanctions for the food stamp program, will not materialize in fiscal year 1980. Thus, the budget authority for the food stamp program, in our view, should fall somewhere between the sum requested by the administration, \$6.9 billion, and the Congressional Budget Office's estimate of \$7.6 billion. We have not attempted to calculate projected cost savings resulting from the substantive reforms of the new law—although they may well equal or exceed the \$132 million in savings assumed by the administration as a result of fiscal sanctions. However, until the new provisions are fully implemented and their fiscal impact assessed, we would ask that the budget authority for fiscal year 1980 not assume these savings—thus placing the budget authority at about \$7.1 billion.

Mr. Chairman, having stated some of our objections to sanctions, let me conclude by outlining several alternatives—preferred by the Council—for improving management:

First, USDA should be providing all states with substantial technical assistance in implementing the new law. Targeted technical assistance to states with the highest error rates might be the first step of this process.

Second, USDA and Congressional staff should consult more closely with state administrators when attempting to improve program administration. More than any group, we have administrative knowledge about how the food stamp program works—its weaknesses and its strengths. We are most eager to be of help to you as you consider legislation to improve the program.

Third, we favor initiatives to improve management and quality control efforts. We believe that fiscal incentives to improve management and reduce errors will be far more effective than punitive sanctions, which are likely to be counterproductive.

Fourth, we urge that the administration and the Congress continue all efforts to introduce greater uniformity in public assistance programs, especially the AFDC and food stamp programs. The Council supports such initiatives and is, at present, cooperating with the President's Reorganization Project Task Force on Eligibility Simplification to achieve greater program uniformity.

Mr. Chairman, that concludes my prepared remarks. Commissioner Conrad and I will try to answer any questions you may have.

CHAMBER OF COMMERCE OF THE UNITED STATES,  
LEGISLATIVE AND POLITICAL AFFAIRS,  
*Washington, D.C., June 13, 1979.*

HON. HERMAN E. TALMADGE,  
*Chairman, Committee on Agriculture, Nutrition, and Forestry,  
U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: On behalf of our over 85,000 members, the Chamber of Commerce of the United States appreciates this opportunity to present its views on S. 1309 which raises the fiscal year 1979 appropriations ceiling on the food stamp program to \$6,778,900,000.

The Congress recognized, when it passed the Food Stamp Act of 1977, that the elimination of the purchase requirement would enlarge the food stamp rolls. The purchase requirement was eliminated ostensibly to allow the most needy individuals, who could not afford to pay the purchase price, to make use of the food stamp program. No doubt, there are some families and individuals who fit this category. However, it is highly unlikely that all of the more than two and a half million new participants in the program since January had nutritionally inadequate diets before that time.

In any event, knowing the rolls would grow, the Congress also included in the Food Stamp Act of 1977 several provisions to assure control over the costs of the program. Among these are the standard deduction, participant recertification and a cap on spending.

Unfortunately, the Food and Nutrition Service (FNS) of the Agriculture Department has not followed through on its obligation to maintain controls on the program. Through inaction on provisions to limit participation in the program and refusal to make adjustments to protect the truly needy, FNS has created a funding crisis which is forcing the Congress to renege on its promise to the American people to halt runaway spending on food stamps.

One reason the program is about to run out of money is that FNS failed to allocate food stamp funds to the States at the outset of the fiscal year to assure each State that it would get its fair share of the dollars available. There is no guarantee that a State administrator who runs a good program—who spends administrative dollars (of which the State is responsible for half) to prevent error, waste and fraud and save federal dollars—will not be faced with empty coffers before the year is out because other States did not do a good job.

The National Chamber opposes removing or increasing the food stamp appropriations ceiling. On the other hand, we recognize the political and social implications of cutting off or substantially reducing benefits to those most in need.

There appears to be several ways to reduce program costs without harming the truly needy; for example, cutting benefits only for higher income recipients; implementing regulations dealing with recipient recertification and the standard deduction; recovering losses resulting from over-issuance; or eliminating overlapping Federal nutritional programs. If, however, FNS has been successful in having the funding problem addressed to late by Congress to make use of any of these alternatives, then a new cap should be established for fiscal year 1979 only. The Congress should then make every effort to see that FNS implements the participation-limiting regulations, allocates food stamp dollars to the States at the beginning of the fiscal year, and does whatever else is necessary to keep food stamp costs within the ceilings established for fiscal year 1980 and fiscal year 1981.

We will appreciate your consideration of our views and request that this statement be made a part of the hearings record.

Cordially,

HILTON DAVIS,  
*Vice President, Legislative Action.*

STATE OF NEW HAMPSHIRE,  
DEPARTMENT OF HEALTH AND WELFARE  
DIVISION OF WELFARE,  
Concord, N.H., May 24, 1979.

Hon. GORDON J. HUMPHREY,  
Dirksen Senate Office Building,  
U.S. Senate, Washington, D.C.

DEAR SENATOR HUMPHREY: I am taking this opportunity to write to you to call your attention to the recently published (April 10, 1979 Federal Register) proposed regulations dealing with the Food Stamp Program Performance Reporting System.

The comments of the State of New Hampshire on this proposed rulemaking are contained in the attached letter to Ms. Nancy Snyder, Deputy Administrator for Family Nutrition Programs, U.S. Department of Agriculture.

As you can see, our concerns have been expressed over the vast increase in review and reporting activity which will be imposed on the States should these regulations be implemented in their present form. These regulations will require significant staff increases to implement with an attendant increase in both Federal and State administrative costs. In our opinion, little or no benefit will be realized by either the States or the Department of Agriculture through these regulations. As mentioned in the comments, what is needed in the Food Stamp Program is *less* not more Federal involvement in State administration. It surely could not have been the intent of Congress to expand the Performance Reporting System, many of whose aspects can only be described as redundant, in such a manner.

I hope that in reviewing this agency's comments you will agree that the regulations, as written, impose an unnecessary financial and administrative burden on the States with little or no discernable benefits.

Very truly yours,

RICHARD G. LACOMBE, *Director.*

Attachment.

STATE OF NEW HAMPSHIRE,  
DEPARTMENT OF HEALTH AND WELFARE,  
DIVISION OF WELFARE,  
Concord, N.H., May 17, 1979.

Ms. NANCY SNYDER,  
Deputy Administrator for Family Nutrition Programs, Food and Nutrition Service,  
U.S. Department of Agriculture, Washington, D.C.

DEAR Ms. SNYDER: Enclosed are the comments of the State of New Hampshire on the proposed regulations regarding the performance Reporting System as published in the April 10, 1979 edition of the Federal Register.

We would like to begin by making a general statement on the proposed regulations. We do not understand the necessity of, or any benefits accruing to the States from, the implementation of most aspects of this massive, intricate and, in many areas, redundant Performance Reporting System. The various public assistance programs which this Agency administers (AFDC, OAA, APTD, ANB, Social Services) involve far greater amounts of Federal matching funds, yet require very little in the way of reviews, analyses and reports.

This agency cannot accept the rationale for the geometrical increase in review and reporting activity contained in the proposed regulations. The current level of review and reporting requirements, while involving a great deal of effort on the part of State agencies and resulting in little benefit, is nonetheless manageable, at least in New Hampshire. Under the proposed rules, the burden imposed on the States will be infinitely greater. While it is stated in the Preamble to these regulations that they " \* \* \* have been designed to reduce the amount of paperwork States are required to submit \* \* \* ", the new system has the effect of actually increasing the paperwork burden which we must endure.

Neither the tone nor the content of these proposed rules is consistent with President Carter's avowed commitment to reduce Federal regulation. It appears that the Food and Nutrition Service intends to go beyond the intent of Congress in establishing itself as a "watchdog" agency. The States neither deserve nor need the intensive Federal scrutiny implicit in the proposed rules—less not more Federal interference in State administration of the Food Stamp Program is what is needed.

It is our fear that the imposition of these regulations in their present form will have a deleterious effect on the relationship between the States and the Food and Nutrition Service. These regulations may have the effect of creating an adversary relationship where none has existed before. They will definitely not engender a spirit of cooperation.

There does not appear to be an acceptable answer to the question of why the U.S. Department of Agriculture—Food and Nutrition Service considers it necessary to impose such extensive review, reporting and analysis requirements on the States. Consequently, we have no choice but to voice our total opposition to most of the proposed regulations relating to the Performance Reporting System.

Our comments on specific sections of the proposed regulations follow:

1. Section 275.2(a)(2) requires States to establish an organizational entity within the State administration with authority to effect corrective action. This proposal represents an unwarranted and unnecessary intrusion into the organizational structure of the State agencies (in New Hampshire's case—the Division of Welfare) which administer the Food Stamp Program. The Director of the Division of Welfare, under State law, bears the ultimate responsibility for and has administrative authority over New Hampshire's Food Stamp Program, including corrective action efforts. The Director, of course, can and does delegate this authority to certain members of his staff, namely, the Office of Assistance payments. There does not appear to be any logical reason for creating and superimposing an additional organizational entity within the existing administrative structure. The authority of the Division Director as exercised through the Office of Assistance payments surely satisfies the requirement that the organizational entity “\* \* \* be at a level of authority to ensure corrective action is effected \* \* \*”

The Preamble to the proposed regulations states that the Department is not requiring the hiring of new staff to fulfill the requirement of the establishment of an organizational entity to effect corrective action. Apart from the question of whether it is appropriate or necessary to designate such an entity, most States, including New Hampshire, would find it impossible to comply with this proposed requirement without the hiring of additional staff. By the time these regulations are finalized, New Hampshire's Legislature will have adjourned its biannual session and will not be able to consider requests for additional staff until 1981.

2. Section 275.2(b), entitled Staffing Standards, requires States to employ sufficient State level staff to perform all aspects of the Performance Reporting System.

The Food and Nutrition Service has, over the years, continually assured the States that it would develop detailed staffing standards. These staffing standards would be very helpful in assisting the States in obtaining needed additional staff for the Food Stamp Program. However, requiring States to employ “sufficient” staff falls somewhat short of detailed staffing standards. Consequently, we would like to see these standards developed and issued in the very near future, hopefully, by the time the PRS regulations are finalized.

3. Section 275.3 contains various proposals regarding Federal monitoring of State agency operation of the Food Stamp Program and the Performance Reporting System. One of these proposals gives the Federal reviewer the options of consolidating this review activity in order to “\* \* \* reduce the frequency of entry into the State agency” and of conducting additional reviews “when warranted.” In addition, there is contained in this introductory paragraph a requirement that the State agency submit to FNS amendments to the Corrective Action Plan within 60 days of receipt of notification from FNS of the existence of a deficiency.

As to the first point, the proposition that the FNS reviewer has the option of consolidating reviews so as to limit entry to the State is laudable. However, we would like to see that option turned into a mandate so that any potential for arbitrariness is eliminated. Furthermore, the proposal endowing the FNS reviewer with the authority to conduct additional reviews “when warranted” lacks a clearly delineated explanation of the term “when warranted”. We need to know what conditions and circumstances must exist in order for additional FNS review activity to be justified and we recommend that such review activity be severely limited in its occurrence.

With respect to the 60-day time limit for submission of amendments to the Corrective Action plan, this time limit should be extended to at least 90 days in recognition of the fact that analyzing a reported deficiency and developing efficient and effective corrective action is a time consuming process. The 60-day time limit seems too confining and even arbitrary.

4. Section 275.3(a)-(d) contains proposed regulations concerning FNS reviews of State Agency operations.

It is our strong feeling that the numerous FNS reviews called for in this section might be better able to assess State agency operations were they consolidated into one general annual review. Fragmenting the FNS review process into a number of different reviews at different times has the likelihood of presenting a distorted picture of an agency's administration of the Program. The concept of the whole being greater than the sum of its parts should be the determining factor governing the Federal review methodology. In addition, there is a great deal of redundancy

implicit in much of this proposed review activity and, given the fact that State agency staff will have to be deeply involved both at the State and local levels, it imposes an unnecessary burden upon State agencies.

5. Section 275.7(d), table 1, contains the required sample size for management Evaluation (ME) reviews of "sub-units." Sub-units being certification offices and various State Office units involved in the Food Stamp Program.

The sample size for New Hampshire for certification offices will be (5) per year which represents almost three times the current number required to be reviewed and will result in a Management Evaluation review of more than one-third of our district offices per year. The entire proposed ME system calls for vastly increased review activity on the part of the State agency. This, in conjunction with the much greater "sub-unit" sample size, will impose a tremendous administrative burden on this State. Therefore, we recommend that the current sample size be maintained or even reduced or left solely up to the State to determine.

6. Section 275.8 proposes a vastly increased Management Evaluation (ME) process involving many components of the Food Stamp Program not formerly subject to review. Among the items subject to review under this proposed regulation are: disaster preparedness, personnel requirements, general service to participants, outreach.

Many of the new Program components which will become subject to ME review are not of sufficient importance to warrant extensive and frequent investigation. For example, including a review of personnel requirements in the ME system serves no useful purpose given the fact that FNS has never issued any staffing standards which is also one of the components subject to review. Furthermore, many of these components have nothing to do with the eligibility determination and award of benefits process.

More importantly, it is our feeling that much of the proposed ME activity duplicates quality control in that the identical program requirements are reviewed. The same criticism can be directed at the proposal to include outreach activities in the ME process since the outreach program requires the same review activity and has its own (practically identical) reporting requirements. We recommend that the ME reviews be limited to addressing only those significant program components not covered by Quality Control.

To perform all the review activity called for in this section would require vast increases in State agency staff, a proposition which, in New Hampshire, as noted in comment 1, is highly problematical. Even if the final regulations were issued today, it would be nearly impossible to justify on a cost-benefit basis to either ourselves or to our Governor or State Legislature that the hiring of additional staff for the ME system would result in any concrete benefits accruing to this State. For all the effort we invest in the current Efficiency and Effectiveness Program, few, if any, tangible benefits are realized either in the reduction of our error rate or in the improvement of services to our clients.

The entire ME system should be modeled after the one utilized by the U.S. Department of Health, Education and Welfare. The HEW system has minimal requirements, as noted in our introductory comments. All that HEW requires is a semi-annual corrective action plan for the AFDC and Medicaid Programs. Their system for reviewing State performance, while flexible and unstructured, remains quite effective. This is a system and an approach which has led to the development of a pleasant, productive and informative dialogue between the HEW-Regional Office and this agency. We sincerely hope that FNS will give due consideration to revamping the entire system along the lines of HEW's model.

7. Section 275.9 contains proposed instructions for conducting ME reviews, including required sample sizes.

The proposed method of drawing the sample of program records to be subjected to ME review seems overly complex and administratively unwieldy. It would be very difficult to determine the total number of program records that appear most often in client case files. If we must review case eligibility and benefit level as part of ME (and we disagree with the necessity of doing this since Quality Control already performs exhaustive case file reviews), then the entire case file should be the basis of the review and not its components. The number of cases to be reviewed should be a function of the average sub-unit caseload size for the review period and should not be governed by the total number of program records. Furthermore, the number of case files actually reviewed should be a manageable number left up to the individual State to determine on the basis of available staff.

8. Section 275.15 addresses the subject of data analysis and evaluation and the use of error-prone profiles.

This section of the proposed regulations contains a requirement that a State *must* use an error-prone profile if one is developed either by the State or FNS. There are

many problems associated with the mandatory use of an error-prone profile generated by an outside organization, such as FNS: the profile may not be compatible with the State's computer system; the State's application form may not capture items of information necessary to the implementation of the profile. In addition, there may exist serious legal problems with respect to the imposition of additional verification/documentation requirements on households which meet the parameters of the profile. We recommend that this requirement be made optional.

9. Section 275.17 proposes the content of the State Corrective Action Plan.

The makeup of the State Corrective Action Plan as proposed in this section calls for the submission of an excessive amount of unnecessary and superfluous data. Considering the fact that the data reported in the current Corrective Action Plans has never, in the past, been used by FNS to assist New Hampshire in improving and strengthening its Program (one of the rationales given for the proposed reporting requirements) we fail to see the necessity of requiring the reporting of even more information than before. Reporting data just for the sake of reporting data is not an activity this agency intends to indulge in. FNS should be able to prove to the States that the reporting activity will help to reduce the incidence of errors and not just require that practically everything be reported.

10. Section 275.20 contains a proposed requirement that the States resume project area reviews scheduled for 1979 under the Efficiency and Effectiveness Program prior to January 1, 1980.

No purpose would be served in resuming project area reviews before January 1, 1980. This date should be established as the overall implementation date for the entire significantly toned down PRS program including ME reviews, reports, Corrective Action Plans, etc. depending, of course, on timely finalization of the regulations.

The establishment of September 1 for the QC regulations and October 1 for the remaining PRS regulations does not allow the State sufficient time to modify the Performance Reporting system currently in effect. The final regulations and the PRS handbook will, based on past FNS performance, probably not be released until late summer. Therefore, it is not reasonable to expect the states to implement the PRS regulations on the proposed schedule given the lack of adequate lead time. No explanation has ever been provided for the hastiness with which FNS is trying to implement the new PRS system.

11. Section 275.22 addresses the preparation and submission of State Corrective Action Plans.

The regulations require the submission of the first State Corrective Action Plan to FNS for approval by October 1, 1979. As in the previous comment, we recommend that the entire Performance Reporting System be implemented on January 1, 1980.

There is a statement contained in this section to the effect that when the reasons for inadequate corrective actions are unacceptable to FNS, certain warnings as specified in a non-existent Part 276, will be applied. The punitive tone and implicit threat in this section is totally inappropriate and uncalled for. It will not aid in developing a cooperative spirit between FNS and the States.

It would be in the best interests of the States to have available for review Part 276 of the new regulations as soon as possible and definitely before finalization of the PRS regulations. The absence of Part 276 is a glaring omission which makes our review of the PRS regulations somewhat incomplete.

12. Section 275.11(d)(1) of the proposed regulations outline the proposal for determining active and negative QC sample sizes by use of a formula based on the cumulative allotment error rate and universe size. The only rationales provided in the Preamble for this change from the current sample size tables are to lessen the impact of a slight universe increase to a higher sample size bracket on the table and statement that, "This procedure is similar to the approach taken in AFDC quality control."

After checking with the HEW Regional Office in Boston, we find that, at present, the sample size is not tied to the error rate and there is no known proposal to do so in the future.

The proposition that use of this formula will lessen the impact of an increased universe on sample size seems valid. However, at this time, no one knows for certain what influence the policies of the 1977 act will have on error rates. Although chances for errors in the area of deductions have been reduced, the new verification rules may tend to build in a certain level of client-oriented errors. Additionally, chances of a substantial error rate increase in the first reporting period are high because many of the cases reviewed in this time span will have been certified in the first few months the new regulations were in effect. Some increase in eligibility worker errors would be expected in the first few months of any new program.

Our universe size is showing substantial increases presently. Use of the proposed formula, therefore, may have the same effect of substantially increasing our sample size.

We wish to point out a basic paradox in the effect of this proposal. QC traditionally has maintained a philosophic and actual detachment in the course of assembling its findings. The first premise in our work is objectivity. By both written and unwritten rules, every effort is made to eliminate any possibility of bias or even the appearance of bias.

Regardless of the contention that the States have control over staffing needs (at some level), this has a very thin basis in reality. Thus, the imposition of the proposed formula with its "attribute" factor really amounts to imposing a hardship on the bearer of bad news. This introduces for the first time an implicit vested interest on the part of the Quality Control unit to find fewer errors. Regardless of the ability of staff to remain objective under these circumstances, the existence of the motive may compromise the integrity of our findings.

Our regional office has offered several additional rationales for the development of this formula based in part on its mathematical validity. We agree that validity of the error rate increases as the sample size increases and that the frequency of less common errors is more valid. From a corrective action point of reference, this really has no value. If our Cumulative Allotment Error Rate is  $25\% \pm 5\%$ , we know we have problems.

We understand that the validity will be most consistent from State to State of about 5% (for enhanced funding comparisons) and that this was actually the most compelling reason for the development of this formula.

In conclusion, we agree that a formula is a better approach to determining sample size. Therefore, we propose the following adaptation of the formula to eliminate the attribute factor:

Assuming that  $n=17.25p+0.01725N-110$  yields the most consistent comparisons around 5 percent cumulative allotment error rate (CAER) we have shortened it by making "p" a constant 5.

$$\begin{aligned} n &= 17.25(5) + 0.01725N - 110 \\ n &= 86 + 0.01725N - 110 \\ n &= 0.01725N - (110 - 86) \\ n &= 0.01725N - 24 \end{aligned}$$

The altered formula yields a significantly smaller sample size, so perhaps some adjustment of 10 to 15 percent upward may be appropriate. With time extremely limited before our first QC reporting period, use of the originally proposed formula may be unavoidable. However, we hope a valid formula based only on universe size can be adopted in time for use in the April-September 1980 reporting period.

13. Section 275.12(b)(1) contains a proposal to incorporate a corrected Public Assistance grant figure. New Hampshire has used a consolidated procedure since this became an option. All New Hampshire QC reviewers are cross-trained in AFDC, MA and Food Stamps. Incorporating this proposal does not pose a significant hardship at this time.

However, because we do have a thorough knowledge of the complexities and variations of income treatment and benefit computations between Food Stamps and Public Assistance, we can appreciate the difficulties many other States will have in implementing this procedure. Use of any of the three procedures listed involves more work either for another QC unit or cross-trained staff. In New Hampshire's case, the consolidated method in the past has included only "pure" Public Assistance households. According to option number one of the three methods listed in the Preamble, we would now be conducting additional Public Assistance reviews for "mixed households" drawn from the "non-Public Assistance" food stamp universe. The effect is to increase our workload by 3-6 additional Public Assistance cases per month.

As noted above, the proposal does not pose a severe hardship for us at this time. However, as FNS and HEW move toward consolidation of the Quality Control system, both the QC review procedures and the programs being reviewed become more complex. At present, our reviewers find it difficult to keep abreast of constant policy and procedural changes in all the programs. Chances of any of these programs being streamlined are slight, so we face the eventual prospect of being forced into specialization to maintain the quality of our work. Specialization poses an administrative problem regarding scheduling of reviewers, assigning of territories and generally causes duplication of travel and collateral contacts for validations.

This proposal is a back door approach to consolidation. Income treatment policies between HEW and FNS programs should be resolved before consolidation is implemented. In conclusion, use of a corrected Public Assistance grant figure results in an artificial error. The basic premise in computation of food stamp benefit levels is

use of the actual amount of income available to a recipient—not the amount that “should” have been available. If we recalculate AFDC, the next step will be to recalculate adult category State supplement or Supplemental Security benefits.

14. Section 275.12(ii)B contains a proposal that information provided by a participant and differing information from a collateral source be resolved prior to corrective action being taken or an error called. There also seems to be the provision for amending error findings, once submitted, if the State finds its original determination to have been incorrect before the end of the reporting period.

The purpose, if not the nature, of this proposal seems hazy. We believe that a process of resolution already takes place in New Hampshire and other States before a review is completed. In instances where a reviewer or his supervisor have any doubt as to which information is correct, the participant is always contacted again. QC's orientation is to be certain of the facts before considering the review complete.

There is little danger of an eligibility worker acting precipitously on the basis of our findings. Any error findings reported by Quality Assurance are screened aggressively by the Assistance Payments units at both the State and local levels.

We believe the resolution of conflicting information should be left as a matter of judgment in each particular case situation rather than mandating a blanket procedure which results in needless busywork or fruitless confrontations.

15. Section 275.12(b)(1)(III), the Identification of Errors section, proposes eliminating the designation of primary errors and reporting all errors, even in ineligible cases. This is to insure complete information for development of error-prone profiles, a valuable tool in corrective action. The additional time taken to review all elements of an ineligible case is not a substantial increase in work load (taken alone) and the value outweighs the additional time expended. We will reserve the option to continue designating primary errors for State reporting purposes because this is the only way we can assign priorities for corrective action.

16. Section 275.12(b)(1)(III), regarding basis of issuance errors, proposes that a tolerance level of \$5.00 under the overissuance per case be established which includes participant as well as agency oriented errors. New Hampshire proposes that the \$5.00 tolerance level be retained and that participant (client) oriented errors not be counted at all as part of the Cumulative Allot. Error Rate, especially in view of the client-oriented nature of the Program and the restrictions placed on the amount of verification/documentation we can require clients to provide. The majority of client errors are not preventable, no matter how thoroughly reporting obligations are explained both verbally and in writing. If the proposed rules can be altered in this way, we feel the \$5.00 per case tolerance level is reasonable. We feel that the less than 5% Cumulative Allot. Error Rate for enhanced funding represents a realistic goal.

Our proposal, in this regard, is that all participant errors will be reviewed and reported but this information would be used only for the Corrective Action Plan (CAP).

If the above is not possible, we offer the following in justification of raising tolerance level to \$8.00 per case:

With the abandonment of the \$25.00 income and deduction comparisons, as well as the basis of insurance tables, we believe the substitution of the \$5.00 tolerance has been arbitrarily borrowed from HEW in the spirit of consolidation, rather than logically derived from actual food stamp policy.

Quality Control has not only lost the built-in tolerances of plus or minus \$25.00 in income and deductions and the old basis of issuances tables, but also suffer from a built-in error rate that may exist under the new food stamp policies. We refer to the \$25.00 income change client reporting policy which was retained from the old food stamp act (we have been informed verbally that the new QC policy will disregard these if an error would result) and the changes in the 1977 act for verification of reported income changes and changes at recertification.

The 1977 act states that reported changes in income during a certification period need not be verified immediately. If the change benefits the household, at least one increased issuance is allowable before verification can be required. If the change causes an adverse effect, no verification is required until recertification. The purpose of this policy is to allow for more timely action on changes. However, in our opinion, this will cause client-oriented errors even though the eligibility worker acts correctly.

The new act also states that, at recertification, income from a previously verified source need not be verified if the change is less than \$25.00.

Based on the above, we feel that a more realistic tolerance amount would result from using the \$25.00 figure (client reporting requirement and income changes at recertification) times 30 percent (from the benefit reduction rate formula). This

comes to \$8.00 (\$7.50 rounded upward) and serves to lessen the impact of client-oriented errors which remain beyond the States' control under the 1977 act.

17. Page 21518 of the Preamble contains a request for the States to suggest an acceptable administrative deficiency rate. We believe the mean or median rate nationwide is probably a fair measure. Error rates in these policy areas realistically do not carry a significant direct dollar loss to the program.

18. The QC implementation timetable contained in pages 21504-21505 of the Preamble calls for reviews to begin as of September 1, 1979. This means the first reporting period, 9/1/79-3/31/80, would consist of 7 months. Because the additional month is near implementation of the act of 1977, we can assume a few more errors in this month in fully converted cases than if the extra month was April, 1980. (We have been advised verbally via Regional Office that September will only be used as a "shakedown" month).

Our concern is whether or not we can implement reviews as of September 1, 1979.

At a recent regional conference held in Rhode Island, we were advised that no drafts of the revised review handbook were available even to the Regional office. Based on past performance, we will be required to begin reviews as of 9/1/79 but will probably not receive handbooks until 11/79. Though it is claimed that the new handbooks will not significantly differ from the old, we have no doubt that staff retraining will be necessary.

We propose that the reporting period begin on the second subsequent month following the month in which the complete handbooks and worksheets are received by the States. Thus, if we receive the materials on 8/30/79, the first month of the reporting period will be 10/79. If handbooks and worksheets are received 9/5/79, the first month would be 11/79.

With the new emphasis on timely completion of reviews and the 95 percent completion rate tied to enhanced funding, we feel justified in requesting enough lead-in time so we are not behind before we start.

19. Page 21518 of the Preamble proposes an error rate tolerance level of "5 percent for the dollar value of all combined allotment error rates."

This appears to have been borrowed from HEW's AFDC tolerance rates. As FNS is no doubt aware, the U.S. District Court for the District of Columbia ruled in *Maryland v. Mathews* in 1976 that the sanction limits of 3 percent (ineligibles) and 5 percent (over-and underpayment) were "arbitrary" and "capricious".

HEW is now in the process of implementing new tolerance levels based on the national mean error rate and a base rate for each State's improvement. For details, please see Federal Register, Vol. 44, No. 46—Wednesday, March 7, 1979—HEW—Disallowance for Erroneous Payments.

Of course, the AFDC mean error rates were developed from AFDC statistics. If FNS chooses to follow the same course, the weighted mean figure would have to be based on food stamp QC figures. Use of figures from the January-June 1978 reporting period, even adjusted to drop what are now administrative deficiencies, would not be valid because of the sweeping policy changes of the 1977 act.

We propose that FNS follow the precedent established in AFDC and use the September, 1979 (or October) through March, 1980, reporting period to determine the national base rate.

20. Section 275.13(b)(1)(II) contains a proposal to expand reviews of negative actions to the point where an allotment can be determined if the case is found to have been denied or terminated incorrectly. While the proposal sounds good on the surface, we believe it to be unfeasible and of little value.

QC does not and never has had the authority to determine benefit levels in any program. The proposal amounts to certification for benefits. Furthermore, the error level for "negative cases" in all States is quite low with the majority of errors being incorrect closing reasons or related to the notice of decision requirement. For the few cases found during a reporting period which never should have been closed, any statistical generalization without a sample size approaching the universe is invalid. We suggest that when a negative action is found to be invalid, QC pursue it only to the point where the preponderance of evidence indicates eligibility. The case would then be referred to the local unit for a determination and issuance of the lost benefits. This is our current practice.

In expressing our concerns and comments on the proposed regulations, it is our hope that due consideration will be given to them. If enacted in their present form, these regulations will impose an intolerable burden on this Agency.

Very truly yours,

RICHARD G. LACOMBE, *Director.*

NATIONAL ASSOCIATION OF COUNTIES,  
Washington, D.C., June 14, 1979.

Hon. GEORGE MCGOVERN,  
Chairman, Senate Agriculture Subcommittee on Nutrition,  
Senate Office Building, Washington, D.C.

DEAR MR. MCGOVERN: The National Association of Counties is greatly concerned that the cap on the food stamp program will be exceeded in fiscal year 1979. We strongly urge you to take immediate action to remove the cap and to include enough money in the appropriation to prevent reductions in benefits to recipients.

In a majority of states, counties have both fiscal and administrative responsibility for the food stamp program. Counties have been informed by the Secretary that it may be necessary to make pro rata benefit reductions for August and September unless additional funding is provided by the Congress. They have been instructed to make the necessary programming or administrative steps so that they will be able to reduce monthly benefits by a specific percentage, if the Secretary so directs. Counties must incur the additional expense of reprogramming their systems. For some counties, such as those in New York which operate manually or semi-manually, this means that they must go to their county legislatures for additional funding to make the required changes. There is a real danger that some counties will be unable to comply with the Secretary's orders.

If the cap is not lifted and benefits are reduced, emergency assistance and general relief program costs, which in many states are borne entirely by the counties, will increase. The National Association of Counties opposes any reductions in benefits to recipients and urges you to pass without delay the additional funding needed to permit the program to continue in its current form through September 30, 1979.

Sincerely yours,

BERNARD F. HILLENBRAND,  
Executive Director.

*Food Stamps No. 3*

#### RESOLUTION ON REMOVING THE CEILING ON THE FOOD STAMP PROGRAM

Whereas, the National Association of Counties recognizes that the Food Stamp Program has become an income support program rather than an agricultural surplus program; and

Whereas, ceilings are not placed on other entitlement or farm support programs; and

Whereas, ceilings prohibit the flexibility needed to deal with the unpredictability of unemployment and inflation; and

Whereas, eligibility requirements under the Food Stamp Act of 1977 have been tightened to allow only people with net incomes below the poverty level to participate in the program; and

Whereas, if further budget cuts are found necessary by Congress on the Food Stamp Program because of fiscal problems, they should not be made across-the-board to all recipients including those with very low incomes, but should be directed to specific target groups that can better afford benefit reductions; therefore, be it

*Resolved*, That the National Association of Counties supports removing the authorization ceilings or "caps" placed upon the Food Stamp Program by the Food Stamp Act of 1977, to insure that those persons needing food stamps will receive them without having benefits reduced or eliminated in order to stay within the "cap", in order to keep with the entitlement concept of the Food Stamp Program.

Passed by the Welfare and Social Services Steering Committee May 23, 1979.

*Food Stamps No. 6*

#### RESOLUTION ON RATABLE REDUCTIONS IN THE FOOD STAMP PROGRAM

Whereas, the Food Stamp Act of 1977 requires reducing benefits of all food stamp recipients in order to stay within the spending cap of \$6.12 billion imposed by the law; and

Whereas, a reduction in the level of food stamp benefits would have adverse effects on participants in the program; and

Whereas, food stamp recipients should not be penalized for the federal government's inaccurate estimates of program participation and food cost increases; and

Whereas, reduced food stamp benefits will result in shifting costs to local government for income maintenance programs; therefore, be it

*Resolved*, That the National Association of Counties opposes such ratable reductions of benefits in the food stamp program.

