S. HRG. 107–732

THE NUTRITION TITLE OF THE NEW FEDERAL FARM BILL

HEARING

BEFORE THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

ONE HUNDRED SEVENTH CONGRESS

FIRST SESSION

JULY 19, 2001

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HEARING ON THE NUTRITION TITLE OF THE NEW FEDERAL FARM BILL

THURSDAY, JULY 19, 2001

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, DC.

The Committee met, pursuant to notice, at 10:10 a.m., in room SR–328A, Russell Senate Office Building, Hon. Tom Harkin,

(Chairman of the Committee), presiding.

Present or submitting a statement: Senators Harkin, Baucus, Stabenow, Wellstone, Lugar, and Roberts.

STATEMENT OF HON. TOM HARKIN, A U.S. SENATOR FROM IOWA, CHAIRMAN, COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

The CHAIRMAN. The Senate Committee on Agriculture, Nutrition, and Forestry will come to order.

Good morning. I want to welcome my colleagues as well as our distinguished panelists who have come to testify before the Agriculture, Nutrition, and Forestry Committee this morning.

Our committee has a tradition of working in a bipartisan manner to address nutrition and hunger issues, and I particularly want to acknowledge the close working relationship that I have had over the years with the ranking member, Senator Lugar, and of course, with the former chairman and former ranking member, Senator Leahy.

Today we will be focusing on nutrition, food security, and health as well as our Nation's nutrition safety net.

While the Farm bill places an emphasis on farmers in rural America, it really is about all Americans. The nutrition title is a critical part of this bill and of our jurisdiction. We are fortunate in America to have the safest and most abundant food supply in the world, but we still have a great deal of work to do. While hunger has been reduced in the last 30 years, food insecurity rates are still too high. Approximately 10 percent of U.S. households, many with children, face the possibility that they will not have enough of the amounts and kinds of foods they need to stay healthy at some point in a month's time.

Our crucial responsibility is to make sure that our Nation's nutrition and food security programs are maintained and strengthened.

It is unacceptable that in the last six years, the percent of eligible people who participated in the food stamp program dropped from 71 percent to 59 percent. In other words, of those who were

eligible 6 years ago, 71 percent participated; of those eligible now, only 59 percent are participating. At the same time, use of food pantries and soup kitchens is on the rise. I would like to know why that is happening.

Contrary to some of the stereotypes about food stamp recipients, over half of them are children, nine percent are elderly, and nine percent are persons with disabilities. Most of the rest are adults who work for a living.

We need to make sure that our Nation's food pantries and soup kitchens are able to help people in need, but not as a substitute for the food stamp program.

We need to continue to support other commodity programs such as the Commodity Supplemental Food Program and the Nutrition Program for the Elderly. These programs deliver food to people who would otherwise go hungry and help to support markets for the products of American farmers.

We also have to keep in mind the strong connection between nutrition and health. We know that dietary factors play a large role in the risk of heart disease, cancer, stroke, and diabetes which account for about two-thirds of the deaths in the U.S. each year.

I am alarmed by the high rates of obesity among children, especially, and the resulting rise in the prevalence of adult diseases such as diabetes among children.

Total costs, including medical costs and lost productivity attributable to obesity alone, amounted to an estimated $99 billion in 1995.

A 1988 report by the U.S. Surgeon General noted that, and I quote: "For the two out of three adult Americans who do not smoke and do not drink excessively, one personal choice seems to influence long-term health prospects more than any other—what we eat." Simply put, poor nutrition and dietary habits are sending far too many Americans to an early grave, or to the hospital for medical treatment.

It is critically important that our Federal nutrition programs do all they can to encourage healthier eating habits and lifestyles.

Finally, we should also expand our efforts to fight hunger and improve nutrition overseas. Specifically, I hope we will be able to incorporate in our bill the McGovern-Dole legislation to create an international school nutrition program for developing countries. This is a bipartisan and bicameral piece of legislation that deserves our strong support and, I hope, early action.

I look forward to hearing from our panelists concerning ways in which we can maintain a strong safety net that ensures food security and sound nutrition for all Americans.

[The prepared statement of Senator Harkin can be found in the appendix on page 52.]

With that, I will yield to the distinguished ranking member, Senator Lugar.

STATEMENT OF HON. RICHARD G. LUGAR, A U.S. SENATOR FROM INDIANA, RANKING MEMBER, COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

Senator LUGAR. Thank you very much, Mr. Chairman.

This committee has a long tradition of bipartisan support for meeting the needs of children and families who face hunger and food insecurity, and you have noted that very thoughtfully in your opening comments this morning. I look forward to continuing our thoughtful and productive partnership as we take up the nutrition title of the Farm bill and reauthorization of the Food Stamp Program. Today's hearing certainly provides an opportunity to gather recommendations for strengthening the program, which is the foundation of our Nation's nutritional safety net.

I am a long-time advocate for placing high priority not only on an effective Food Stamp Program but on the entire package of nutrition assistance programs. During the discussion of welfare reform in 1996, I took a firm stand, as you did, to preserve a strong nutritional safety net. This meant retaining the Food Stamp Program as a national entitlement program and making certain that school meals did not become block grants.

For children, a healthy diet is essential to sound physical development and school performance, both prerequisites to becoming productive adults. Sufficient food and healthy eating habits offer a direct way to reduce the incidence of serious diseases such as diabetes and hypertension, as you have noted.

Despite our commitment to Federal nutrition assistance, there is a need to periodically review how well the associated programs are meeting their goals and to consider what changes might work better.

For example, I actively supported a provision included in the Consolidated Appropriation Act of 2001 to pilot-test some administrative changes in the Summer Food Service Program. While this program is intended to provide meals to low-income children during their summer vacation, a majority of those who qualify for free and reduced-price meals during the school year are not participating. Indeed, a study in the press today indicates less than 20 percent of those children are participating.

It has been a challenge to recruit summer food service providers given the burden of the program's cost accounting procedures. Our 14-State pilot program, which includes my home State of Indiana, is testing the tradeoffs of eliminating some of these requirements and streamlining others.

The upcoming Farm bill provides the occasion for looking more closely and systematically at the Food Stamp Program. We know that food stamp case loads have declined as a result of an improved economy, the welfare reform initiative, and a lower participation rate among eligible persons. Even more dramatic changes have occurred in the cash welfare program, Temporary Assistance for Needy Families, or TANF.

These changes in cash welfare caseloads have implications for the Food Stamp Program. According to USDA statistics, among food stamp households with children, the proportion of households with earnings jumped substantially between 1994 and 1999.

Not only is the profile of food stamp families shifting, but the program participation rate is changing as well. Between 1994 and 1999, the proportion of eligible individuals who received benefits went down, as you have noted, from a little over 70 percent to less than 60 percent. Two contributing factors are routinely identified.

One is the complexity of program rules while impose a burden on food stamp applicants and recipients as well as challenges for eligible workers who must apply those rules.

The second factor is the quality control system used to assess program performance. This system focuses solely on benefit payment error, which means that States may emphasize payment accuracy over recipient service.

There are, however, some fundamental principles that we should apply in evaluating reauthorization proposals. Specifically, I will consider how well each recommendation maintains the program's role to provide a nutritional safety net, increases program simplification and flexibility in a way that benefits needy families, and finally, enhances program administration and reflects the keen competition for resources and the need for prudent use of Federal funds.

I am especially looking forward to today's witnesses and their ideas that will support those principles.

[The prepared statement of Senator Lugar can be found in the appendix on page 54.]

Thank you, Mr. Chairman, for holding this important hearing.

The CHAIRMAN. Thank you very much, Senator Lugar.

Senator Roberts.

STATEMENT OF HON. PAT ROBERTS, A U.S. SENATOR FROM KANSAS

Senator ROBERTS. Yes, thank you, Mr. Chairman.

I do not have a prepared statement, but I was jotting down some notes from my memory that would certainly buttress and be commensurate with your comments and those of the distinguished ranking member.

I can recall so well serving in the House—and it was when you were in the House, Mr. Chairman—the support of this program in a bipartisan way. That was about the only way we could pass the Farm bill as I recall, with the coalition of the folks interested in food stamps and nutrition. It goes back to the days of former Chairman Bob Pogue and Tom Foley and Kiki de la Garza, myself, others. It has been a very strong commitment.

The witnesses who are here know about that, especially Robert Greenstein, who has been in this business for some years—he is sort of the "god-prince" or the godfather of this effort, if that is the right word.

I would just simply say that we hear a lot about a counter-cyclical payment or what is needed in the farm program. The Food Stamp Program is basically a counter-cyclical program. As the economy improves, hopefully, people will no longer find the need for food stamps, when people find jobs. On the other hand, when it turns down, we get into a serious problem.

I understand that when we went through this in 1996—and that was quite a battle—Senator Lugar referred to those most unique times, and I might say that it was my feeling as the new chairman of the Agriculture Committee at that particular time that we had real problems with the Food Stamp Program from the standpoint of fraud and abuse. That is not fair to the recipients and is certainly not fair to the taxpayer. Robert Viadiero was the new inspec-

tor general down at the Department of Agriculture. I felt very strongly at that time and still feel today that this was a Federal responsibility, and we were going to undertake the commitment of welfare reform, but we knew that that would be very difficult and would be a long-term task. We certainly did not want any family to fall between the slats, so to speak, into a situation where they were being denied essential services.

A great many Governors came to town, Mr. Chairman, at that particular time, one in particular from Michigan who recommended that this be a block grant program and that this was a key test. It was a key test. The Governors, it seemed to me, were very strong in their testimony, saying they needed the block grant and certainly would like to have the Food Stamp Program; but in all candor, what they wanted was the money. They did not want to run the Food Stamp Program. Can you imagine 50 different food stamp programs in 50 different States?

We did not feel that that was appropriate, and against considerable very strong political pressure, I can remember those days in Bob Dole's office and in the office of—let me see, what was his name—it was Newt Gingrich. We had what we called "meaningful dialogue," and it was our thought that we could certainly preserve and strengthen the Food Stamp Program but make the needed reforms.

Mr. Chairman, we had a situation at that particular point in time where, in Philadelphia and New York, the inspector general conducted a sting operation and found out that the grocery stores were not the grocery stores, that people were simply trafficking in food stamps—$3 billion was allegedly saved from those efforts as we went through some reform measures. That is where the EBT card came in and provided such a valuable service. Dean Leavitt will be on the second panel and can go into more of what we are experiencing with the EBT card. I might add that the late Bill Emerson from Missouri was a real leader in that. Pardon me for going on for so long, but these are fond memories in regard to what we were able to do.

In the House agriculture appropriation bill, it seems to me that the last time around, there was $5 billion provided over 10 years relative to the changes that we have made since the 1996 Act, and as I understand it, in the House agriculture appropriation bill for 2002, the estimate is, because of the slowdown in the economy—and doubtless Bob and others can make the statement if this is not accurate—800,000 people are estimated to be coming on in regard to food stamps because of the slowdown in the economy. That is about $1.5 billion, $1.8 billion, somewhere in that neighborhood.

We really have our work cut out for us to continue to monitor this, and I have probably said enough, except to thank Bob and thank others who have been active in this as we continue to monitor.

One other thing, Mr. Chairman. I want to thank you for your statement in regard to the possibility of an international school lunch program, the McGovern-Dole effort. I note in talking with Secretary Veneman that she has asked the folks in Rome who participate in the World Food Program for information to make sure that it is cost-effective and that somehow we could fit some degree

of commitment if we possibly can in this cycle. I am very much for that, for a lot of different reasons, and I will not go into that, but I do know that the World Food Program is providing that information to Secretary Veneman, because the young lady who is doing that is my daughter, Ashley Roberts. You can put me down as a strong supporter.

I thank you.

The CHAIRMAN. Thank you very much, Senator Roberts.

I will yield to my other Senators. I hope, in the interest of time, that we might keep it a little short. We have a limited amount of time. I do want to get to the witnesses, but I would like to recognize other Senators for, hopefully, short opening statements.

Senator Conrad.

Senator CONRAD. I give my time retroactively to Senator Roberts.

[Laughter.]

The CHAIRMAN. Senator Baucus.

Senator ROBERTS. You do not have to laugh that loud, Paul. You are turning into me, and I am turning into you. This is ridiculous.

[Laughter.]

The CHAIRMAN. Senator Baucus.

STATEMENT OF HON. MAX BAUCUS, A U.S. SENATOR FROM MONTANA

Senator BAUCUS. Mr. Chairman, I will submit my statement and make just one point.

The Finance Committee is going to reauthorize welfare reform and the Agriculture Committee is going to reauthorize the Farm bill next year, and food stamps is clearly an integral part of that. I would hope that we could figure out a way where States like mine can continue a waiver on certain aspects of the Food Stamp Program.

We in Montana have for years received a waiver with respect to utility costs, and the current administration is saying that that will no longer be available. I say that because our per capita income in Montana, or wage per capita income is 50th in the Nation. We are first in the Nation in the number of jobs necessary per household to make ends meet. We are 27th in the Nation in cost of living. We are a mid cost of living State, and we are a low-income State.

It is tough, and all I am saying that if we reauthorize this nutrition title that we address that issue.

I might also just give a ringing endorsement of the various school lunch and school breakfast programs. In my State, they have worked just wonderfully. If you stop by and see these kids, it is just heart-warming. It gives you a sense that, my gosh, a lot of the stuff we are doing back here in Washington really does make a difference to real people. Just mark me down as a big champion, and also, on the international school lunch program idea, I would like to help make that work as well.

Thank you very much.

The CHAIRMAN. Thank you very much, Senator Baucus.

I will just ask staff to make sure that we pay attention to the waiver issue when we develop our bill.

Senator BAUCUS. I might say, Mr. Chairman, that I have to leave now. We had to recess the Finance Committee because we had a

bomb scare, and I have just received a note that there is no bomb up there.

The CHAIRMAN. What are you guys doing over there?

[Laughter.]

Senator BAUCUS.We are ready to reconvene.

The CHAIRMAN. All right. Good luck.

The CHAIRMAN. Senator Stabenow.

STATEMENT OF HON. DEBBIE A. STABENOW, A U.S. SENATOR FROM MICHIGAN

Senator MICHIGAN. Thank you, Mr. Chairman. It is nice to be part of a safe committee; so far, we have not had any bomb scares.

I will submit a full opening statement, Mr. Chairman, for the record. Let me just say that I share the feeling of my colleagues about the nutrition title. It is critical. I would like to note that the average demographics of a person today on food stamps is very different from what one might typically think of in the past. We are talking about people who are working. We need to look very closely as we reauthorize these programs and at what is really happening to our families.

I would also just mention that the commodity programs of course are important in two ways—both in terms of nutrition for our children and availability of fruits and vegetables and other important items for families, and also important for our farmers. We in Michigan have benefited from being able to include apples and cherries, and we are now looking to include asparagus, in the school lunch program.

Michigan has the largest Commodity Supplemental Food Program (CSFP) in the country, and we are very interested in working with you, Mr. Chairman, as always, and I am very interested in making sure that this title is really strengthened and meets the needs of our families.

The CHAIRMAN. Very good. Thank you, Senator Stabenow.

[The prepared statement of Senator Stabenow can be found in the appendix on page 56.]

The CHAIRMAN. Senator Dayton.

Senator DAYTON. Mr. Chairman, I will forego an opening statement. Senator Wellstone and I have to go to the Finance Committee to testify in behalf of the Trade Adjustment Assistance reauthorization, and we will be returning after that.

The CHAIRMAN. Thank you.

Senator Wellstone, do you have a statement?

STATEMENT OF HON. PAUL D. WELLSTONE, A U.S. SENATOR FROM MINNESOTA

Senator WELLSTONE. Mr. Chairman, I will just take three minutes, but I do want to take three minutes, because this is one of the reasons I wanted to serve on this committee. This is one of the most important things that we are going to be doing.

We have three panelists here at the beginning, all of whom have a lot to say that is important, and I am going to run and testify and come back.

First, this is a safety net program that has worked well in terms of dramatically reducing malnutrition and hunger in our country

going back—my history goes back, although I have never played a large role, to all the anti-hunger work, the studies that came out in the mid to late sixties, and then, what we have done with food stamps.

We have to take a very close look at eligibility. Let us be honest about it. With the welfare bill, we cut the benefits for legal immigrants, and when the adults do not get it, the children do not get it even though they are eligible. The whole issue of eligibility we need to go back and revisit. There are many people who could benefit, and there are a lot of children who could benefit who do not because of the eligibility question.

We have not at all kept up with inflation, just in terms of purchasing power, and the minimum benefits are so minimum as to do serious damage to our vision and goal as a country that children should not go hungry nor, frankly, should adults.

Then, finally, we have got to make sure that people who are eligible actually receive the benefits. Because of your help, Mr. Chairman, and others, in the last ag appropriations markup, I had an amendment that asked the Food and Nutrition Service—and Mr. Bost might want to talk about this—to do a study of what in the world is going on when you have over a 30 percent decline.

I just got the report today, and I will be talking more about it later, but I want to get it to all members of the committee. Mr. Chairman, just listen to one figure here. "Slightly less than half the decline, 44 percent, occurred because fewer people were eligible to participate." It goes through some other things. Then, "The remainder of the decline, over half, 56 percent, occurred because fewer eligible individuals participate in the program."

For a variety of different reasons, Dr. Haskins and I did not agree on the welfare bill; but we do agree that when people move from welfare to work out there in the counties in this country, they ought to know that they and their children are eligible for these benefits. We have lost a lot of the infrastructure of outreach where people do not know.

I just want to say to you, above and beyond WIC and school breakfast and school lunch, that I am focused on this like a laser beam, and I am very pleased to be on this committee. I really think that we can do something very important and positive. Some of the results out there are harsh. It is crazy that one out of every 10 households is, quote, "food-insecure," and that 35 million Americans, 10 or 15 million of whom are children. We can do better.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator Wellstone. I look forward to working with you on it.

Senator WELLSTONE. We will be back.

The CHAIRMAN. I appreciate that very much. Thank you.

I will just say at the outset again that today's hearing is going to be focusing mainly on the nutrition programs, specifically the food stamp, and hunger food bank issues.

Earlier this year, Senator Lugar held a hearing on all the child nutrition programs. I am hopeful that we might come back again at some other point and just look at the school lunch and school breakfast programs. Those programs are not up for reauthorization in this Farm bill, but we could discuss them in this Farm bill, and

I am open to making some changes to the child nutrition programs in the Farm bill. In your testimony, this morning, please let us know if you have anything to say about that. I do intend to have another hearing sometime later on—I do not know when—just on that issue of the school lunch and school breakfast and other child nutrition programs.

With that, we welcome our first panel.

Mr. Eric Bost, Undersecretary for Food, Nutrition, and Consumer Services at the U.S. Department of Agriculture, Mr. Robert Greenstein, Executive Director of the Center on Budget and Policy Priorities; and Dr. Ron Haskins, Senior Fellow at the Brookings Institute constitute our first panel, and then we have a second panel.

I will say at the outset that all of your statements will be made a part of the record in their entirety, as well as the opening statements of Senators sitting here today. I would ask if you could summarize your statement for us. I would appreciate it. We will try to limit it to seven minutes or so on the lights.

Mr. Bost, welcome, and please proceed.

STATEMENT OF ERIC M. BOST, UNDER SECRETARY FOR FOOD, NUTRITION, AND CONSUMER SERVICES, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, DC

Mr. BOST. Mr. Chairman and Senator Lugar, and other members of the committee, good morning.

I appreciate the opportunity to join you today to discuss the reauthorization of the Food Stamp Program, to build on its history of success to meet the demands of the new century.

I am pleased to represent the administration in the process of reauthorizing the Food Stamp Program, the foundation of the Nation's nutrition safety net, as part of the Farm bill. I look forward to working with this committee as we develop a reauthorization approach that preserves those aspects of the program that have served this country so well over the past decades and makes the changes needed for the program to function even more effectively and efficiently into the future. The Food Stamp Program touches the lives of millions of people who need a helping hand to put food on the table.

Because food stamps are not targeted or restricted by age, disability status, or family structure, recipients are a diverse group representing a broad cross-section of the Nation's poor. In 2000, over half of all food stamp recipients were children, about 9 to 10 percent were elderly, and another 10 percent were disabled. Many recipients worked, and the majority of food stamp households were not receiving Temporary Assistance to Needy Families.

However, most food stamp households had little income and few resources available to them. Only 11 percent were above the poverty line, while 33 percent had incomes at or below half the poverty line. About two-thirds of all households had no accountable assets. The program is clearly successful at targeting benefits to the neediest Americans.

The Food Stamp Program responds to economic changes, expanding to meet increased need when the economy is in recession and contracting when the economy is growing. Because benefits automatically flow into communities, States, or regions of the country

that face rising unemployment or poverty, the program tends to soften some of the harshest effects of an economic down turn.

However, over the last decade, food stamp participation rose more sharply than expected during the relatively short and mild recession in the early nineties, and then fell more sharply than expected after 1994, during a sustained period of economic growth.

In April of this year, the program served about 17 million people, down from about 28 million at its peak in March 1994. In recent months, however, the participation decline has slowed and may have ended. Over half of all States are now serving more people than they did a year ago. It is important to note that as participation has declined, program costs have also dropped considerably. Annual costs have declined by over $7 billion since fiscal year 1995.

In 2000, 98 percent of households that received food stamps were entitled to some benefit. Problems tend to occur far more frequently in cases where an eligible household is provided with the wrong amount of benefits. Difficulties in determining the correct level of benefits stem from a number of factors—the intricacies of program rules designed to target benefits precisely; the complex circumstances of working families; and the need to anticipate the circumstances of program participants.

When errors resulting in overpayments do occur, the Department works very hard to recoup those funds from those who received them.

Since the program was last reauthorized, we have seen a revolution in the way that food stamp benefits are delivered. In 1996, only 15 percent of benefits were delivered electronically. Today, 80 percent are delivered through EBT. Forty-three State agencies now operate EBT systems for the Food Stamp Program, and 41 are Statewide.

A lot of things have changed since welfare reform. In important ways, the States have been the leaders in the revolution in making these changes—restructuring their welfare programs to require work, time-limited assistance, improving child support enforcement, and encouraging parental responsibility.

I believe that the Food Stamp Program has contributed to the success of welfare reform by supporting the transition from welfare to work. Welfare rolls and the proportion of food stamp households on welfare have fallen sharply, while the percentage of food stamp households with earnings has grown. Today, the Food Stamp Program serves more families that work than families that receive welfare.

We have talked about the tremendous decline. However, I believe that the complexity of program requirements may be deterring participation among people who are eligible for benefits, especially working families. There is a growing awareness that we need to reform the quality control system, which Senator Lugar made reference to, to ensure that it more effectively encourages payment accuracy without discouraging States from achieving other important objectives.

My view is that every person eligible to receive food stamps should have full and easy access while maintaining integrity in our programs. We need to reexamine how the Food Stamp Program recognizes and supports its multiple program goals.

Let us talk about reauthorization, and I am just going to note some broad proposals.

We are interested in ensuring that we facilitate working families' access to food stamp benefits while minimizing burdens for State agencies; and finding ways to reduce burdens on applicants and participants and to reduce administrative complexity for people who actually implement the program. As States explore innovative welfare policies, at the same time, we should examine whether program changes, including increased administrative flexibility, could help to ensure that all those at risk of hunger have access to the benefits they need. We also need to improve the program's effectiveness in promoting healthy diets.

Additionally, prudent stewardship of Federal resources is a fundamental responsibility and critical to continued public confidence in this program. We must be vigilant in the fight against error, fraud, and abuse, and ensure that the taxpayer investment in this program is used as effectively as possible.

I am very pleased to join the discussion as we begin today to preserve the elements of the Food Stamp Program that have contributed to the history of success and to strengthen and improve it to meet the challenges for a new century.

Mr. Chairman, that concludes my remarks. I would be pleased to answer any questions that you may have of me.

The CHAIRMAN. Mr. Bost, thank you very much for your testimony.

[The prepared statement of Mr. Bost can be found in the appendix on page 58.]

The CHAIRMAN. We move to Robert Greenstein, founder and Executive Director of the Center on Budget and Policy Priorities, a nonprofit institute that conducts research and analysis on public policy issues, with an emphasis on low-and moderate-income families.

I just want to say for the record that I started working with Mr. Greenstein when I first came to the Congress back in the 1970's, and I know of no one who has dedicated more of his life, energy, expertise and knowledge to the subject of nutrition and nutrition programs than has Mr. Greenstein. You and your agency have provided an invaluable service both to the House and the Senate over all these years, and we appreciate that and welcome you back to the committee.

Senator CONRAD. Mr. Chairman.

The CHAIRMAN. Yes, Senator Conrad.

Senator CONRAD. Mr. Chairman, might I associate myself with your remarks about Mr. Greenstein?

The CHAIRMAN. Absolutely.

Senator CONRAD. He is a national treasure, and we are lucky to have him.

Senator STABENOW. Mr. Chairman, if I might also associate myself with your comments and indicate that in a few moments I am going to have to leave to preside over the Senate, and I do not want any of our guests to assume that that indicates a lack of interest. We are just very pleased that you are all here.

The testimony that I do not have an opportunity to hear in person, I certainly will scrutinize the written documents.

The CHAIRMAN. We certainly understand. Thank you very much, Senator.

Mr. Greenstein, please proceed.

STATEMENT OF ROBERT GREENSTEIN, EXECUTIVE DIRECTOR, CENTER ON BUDGET AND POLICY PRIORITIES, WASHINGTON, DC

Mr. GREENSTEIN. Thank you for the invitation to testify, and thank you for your kind words. It has been my honor to work with all of you over the years. I also wanted to particularly note—Senator Roberts was talking about the welfare law—as we talk about where we are today, we would be in a very different place today if it had not been for the efforts of Senator Lugar in 1995 and 1996 on both food stamps and school lunch. He was really the champion in that period.

Senator LUGAR. Thank you, sir.

Mr. GREENSTEIN. As several of you have mentioned, the profile of the Food Stamp Program has changed; it has become much less a program for welfare families and much more a program for working families.

Ten years ago, the number of food stamp households that received welfare and had no earnings was more than double the number who worked. Today the number of food stamp households who work far exceeds the number who get cash welfare and have no earnings.

As the undersecretary noted, there has been a large decline in program participation—more than 10 million people since 1994, the largest decline in the program's history. The economy was clearly a major factor here, but far from the only factor.

As my first chart up on the board shows, from 1994 to 1999, the number of people who were poor declined 16 percent, but the number of people receiving food stamps declined 35 percent. Part of what happened—several of you mentioned this—was that the participation rate changed.

You noted that the proportion of eligible people who participate went down from 71 percent to 59 percent. I would also note that the percentage of eligible children who participate went down from 86 percent to 69 percent.

The undersecretary also noted that there had been a substantial decline in food stamp costs. From 1994 to 2000, food stamp benefit expenditures declined 23 percent after adjusting for inflation. There are a number of factors there—the economy, the decline in the participation rate, and also very much the changes in the welfare law.

The Congressional Budget Office estimated at the time the bill was passed that it would reduce expenditures $28 billion over 6 years, and the CBO estimates showed that two-thirds of the food stamp savings resulted from provisions to reduce food stamp benefits for households that remained eligible, often on an across-the-board or quasi-across-the-board basis that reduced benefits for the working poor and the elderly and the disabled along with others.

Why was that in the welfare law? Because this committee and the House Agriculture Committee were assigned austere budget

reconciliation targets assuming deep reductions in food stamp expenditures, and the committees had to comply.

Those benefit cuts had no relation to the welfare reform goals of promoting work and marriage, and as a result of them, budget cuts were deeper in the Food Stamp Program than in any other major social program in the Federal Government.

It is interesting if we look at the next chart and turn to food stamp expenditures. The top line in the chart is CBO's estimate of food stamp costs before the welfare law was passed. The middle line is CBO's estimate of what the costs would be as a result of the welfare law at the time that it was passed—and these numbers we have adjusted downward to reflect the lower unemployment than CBO thought at that time. The bottom line shows the actual expenditures. See how far it is below the middle line. The main difference between the bottom line and the middle line is that reduction in food stamp participation rates that several of you referred to in your opening statements.

One more background point on what has been happening to participation. This is one of the most stunning figures of all. Citizen children in legal immigrant families remained eligible for food stamps. Their eligibility was not affected by the welfare law. In 1994, 1,350,000 of them were in the program; four years later, only 350,000 were. There was a decline of one million citizen children, a 74 percent decline, apparently related to the fact that there was a lot of confusion over the larger immigrant changes, and when the parents and the other family members became ineligible, apparently, there has been widespread misunderstanding and belief that these children are ineligible as well.

What do we do? Clearly, we want to focus on doing better with working families. It is still the case that virtually 100 percent of the families on assistance, on welfare, who are eligible for food stamps get it; but among working families, only about half of those eligible get it.

The first thing one needs to do to address that is to overhaul—and Senator Lugar mentioned this in his statement—the quality control system. The way the quality control system works today, it penalizes States for serving working families. Why? Because error rates are higher among working families than welfare families. If the family is on welfare, it gets a benefit, a cash welfare payment, it stays the same from month to month, the welfare office makes the payment and knows what it is. If a family leaves welfare for low-wage work, in many cases, the earnings fluctuate. The number of hours change a bit from month to month. Many of these jobs do not have paid sick leave—if you are off for a day, you get less that month, you get more the next month. As a result of the Food Stamp Program measuring precise benefit accuracy from month to month, these fluctuations result in higher error rates for working families in virtually every State than for welfare families.

That means that a State that does better in moving people from welfare to work and has more working families and fewer welfare families on food stamps has a higher error rate than a State that still has most of its caseload on welfare. That is really not the effect we would want.

Adding to that, the current system imposes or subjects to a potential fiscal penalty every State that has an error rate above the national average—half the States in any given year. That type of system was put in place by Congress back when food stamp error rates were up toward 17 percent in the overpayment rate. The overpayment rate today is 6.5 percent. We have a system that is not realistic for the current situation, and it drives States to institute procedures that make it harder for working families to qualify and stay on the program, like making them take time off from work to come back into the office every three months to reapply.

A second area, also already mentioned—simplification is important. I see the lights are coming on. I have a number of ideas on the simplification front; I would be happy to discuss those——

The CHAIRMAN. If you want to take a couple of extra minutes, go ahead. I am willing to bend the time somewhat.

Mr. GREENSTEIN. The one that I will mention now—and there are a lot of more detailed ideas—the one theme that I would mention now is that I would urge you to consider simplification in part through greater alignment, or allowing States to make greater alignment of food stamps and Medicaid. We often think of food stamps and welfare. The number of households with children receiving both Medicaid and food stamps is now much larger than the number that either program has in common with welfare.

Who are the people who get food stamps and Medicaid and not welfare? They are working families. You h ave children getting food stamps who are eligible for CHIP—I know you have been very interested in this, Senator Lugar—or Medicaid, who are not enrolled in health care. You have children on Medicaid who are not enrolled in food stamps. If we could simplify the system—for example, have a single definition that States can apply with gross income across both food stamps and Medicaid, so that you could do a simpler, joint application for working families, maybe without having to go to the welfare office, we could both improve nutrition for working families, have more incentives to work, and reduce the ranks of the uninsured at the same time.

I also think that some attention should be paid to the one provision still remaining from the welfare law in which an inflation adjustment that was formerly in place is no longer in place. Senator Lugar tried valiantly to maintain that inflation adjustment. The House did not agree to it. This was part of the "meet the reconciliation target" issue. We should not have the benefits eroding to inflation over time.

The final item I would like to mention involve gaps in coverage in two key areas that emerged in the aftermath of the welfare law—legal immigrants and the adults age 18 to 50 who are not raising minor children. In both cases, Senator Lugar and this committee passed provisions in 1995 that were much more moderate than what ended up in the final law.

In the case of the 18- to 50-year-old adults, I would actually suggest that the committee look at the provision that this committee passed in 1995 in its welfare law, as distinguished from the both harsher and much more complicated for States to administer provision that ended up in the final law.

With regard to immigrants—and let me end on this note—Mr. Chairman, the Food Stamp Program's restrictions on legal immigrants today are much more severe than those in SSI, Medicaid, CHIP, TANF, or any other major means-tested program the Federal Government runs. The Food Stamp Program is the only means-tested program—the only one—that denies eligibility to large categories of poor legal immigrants who entered the United States before August 21, 1996, the date the welfare law was signed. It is out-of-step with every other program in that regard.

With regard to the people who entered the country after August 22, 1996, under the welfare law, in Medicaid and TANF, States have the option of making legal immigrants who entered after August 22, 1996 eligible after they have been in the country five years, and most States have taken that option. In the CHIP program, Federal law requires States to make children eligible—the new entrants eligible—after they have been here for five years. In the Food Stamp Program, they still remain ineligible at that point. For families with children, food stamps is different than the other programs in that regard.

I would also note that prior to the enactment of these provisions, the error rate for immigrant families was about the same as for native families. Now the immigrant provisions are so complicated in the food stamp law that the latest data show that the error rates for immigrant families are much higher for native families. They have gone up because of the added complexity the law created.

In summary, this is a wonderful program, and this committee has done exemplary work over the years, but there is definitely need for improvement.

Finally, I will just make a statement, Mr. Chairman, and if you want to ask, I will be happy to elaborate during your question period, but for reasons I will be happy to elaborate on, I would actually strongly recommend against doing school lunch and school breakfast in the Farm bill. They are up for reauthorization in 2003. I suspect that on this committee at the end of the day, there is going to be a lot of interest in agriculture and commodities, and there is going to be only so much money for nutrition. When you look at the reductions in expenditures in food stamps, you are going to need virtually all of that money there. You can come back in 2003 and make improvements in school lunch and school breakfast. If you use some of the nutrition money in the Farm bill, whatever amount it may be—and I hope it is significant—for lunch and breakfast, you will end up shorting these very basic issues that are crying out to be addressed in the Food Stamp Program.

Thank you.

The CHAIRMAN. Did you say that you do not think we should address or that we should address the school lunch and school breakfast program in this Farm bill?

Mr. GREENSTEIN. Should not.

The CHAIRMAN. We should not; let it go until 2003?

Mr. GREENSTEIN. Yes. There are not——

The CHAIRMAN. OK. I will cover that with you later.

Thanks.

[The prepared statement of Mr. Greenstein can be found in the appedix on page 70.]

The CHAIRMAN. Dr. Haskins, a Senior Fellow in the Economics Studies Program at the Brookings Institution, and a co-director of the Institution's Welfare Reform and Beyond Initiative.

Welcome, Dr. Haskins.

STATEMENT OF RON HASKINS, SENIOR FELLOW, BROOKINGS INSTITUTION, WASHINGTON, DC

Mr. HASKINS. Thank you, Mr. Chairman, Senator Lugar.

It is a great privilege to be here today. I really appreciate being invited to testify in the shadow of Bob Greenstein.

In a former life, I was a staffer in the House—my I.Q. was too low to get a job in the Senate, so I took a staff job in the House, where I was privileged to work on the welfare reform bill—and that is what I would like to focus my testimony on today.

Let me tell you a simple story that has five parts. The first part is that in 1996, Congress changed our welfare program, our major cash welfare program, AFDC, and required States to design programs that would encourage or, where necessary, force mothers to work.

The second part is that, lo and behold, they passed a law in Washington, and out there in the countryside, they actually did what the law asked them to do. The States devised these programs, and mothers left welfare in droves and went to work—I have submitted some data in my testimony to demonstrate those facts—and as a result of that, there have been many, many affiliated results, but perhaps the most impressive and the most important is a dramatic reduction in child poverty, particularly if we use broader Census Bureau measures that take into account the Earned Income Tax Credit, EITC.

The third point is that, as I have just suggested, the reason why we have had such success in reducing child poverty and increasing family income as well is because of what we can call the work support system. That is the main reason I want to talk to the committee today.

That system is composed of the Earned Income Tax Credit, food stamps, child care, child support enforcement, and several other benefits that go to working families. If you look carefully at the legislative history, you will find that since 1985, all of these programs have been either created in whole or have been dramatically expanded. I hate to make an accusation like this, but it actually appears that the Congress had vision; that Congress wanted to create a situation that would both suck people off welfare by giving them the incentive and would provide them with a very strong—I hesitate to use the word "safety net," because that is usually associated with welfare—but would provide additional income because Congress knew that so many of these families were going to be low-income and did not have the skills and experience to demand higher wages, so they were going to have to work at low wages.

The fourth point is that there is something very nice about this system, because it reflects its bipartisan origins. The strong work requirements and especially the strong elements of the 1996 legislation are clearly conserved in the Republican origin. Members of this committee and other committees actually fought against some of these provisions and reluctantly, at least in two or three of them,

President Clinton signed the bill. As a result, we have a lot of families who have left welfare, and now, for the liberal side of this, we have this very strong work support system in which we invest billions of dollars—spending has grown like made since 1996—it actually started a little before that—so we have a nicely balanced system that I believe has strong bipartisan support, and at least in a good economy, it works very well, with one exception—and this is my fifth point in this story—and that is that food stamps and Medicaid are a big problem—a big problem.

Recent research—Bob said that about 50 percent of the families leaving welfare who are eligible for food stamps get it—recent research suggests the number may be closer to 40 percent. We have a very large number of children and single mothers out there—an exceptionally worthy group, in my opinion—and they are not receiving their food stamp benefits.

I would like the committee to consider this. The typical mother is earning around $10,000. If she has two children, she gets about another $4,000 in EITC, so she has $14,000. At that point, she is eligible for about $2,000 in food stamps, which is virtual cash in this case. Imagine a difference to that mother and those children of an income of $14,000 as compared to $16,000. That is the topic that this committee should address. We should all want that family to have that additional $2,000, and we know for certain from all kinds of national datasets that many of them—probably a majority—are not getting the money.

Now, what is the cause of this? There are many causes. There is plenty of blame to go around for people who like to blame. Right at the heart of it is the quality control system. Bob has already made several references to this, as has Secretary Bost. The quality control system really and truly, if you think about it, is exactly opposed to the purposes of TANF.

In the TANF program, if the States do not put people into work, they are literally fined by the Federal Government. In the Quality Control Program, if the States put people to work, they are virtually fined by the Federal Government, because in every State, they have higher error rates in the cases of people who work.

Something simply has to be done to the statutes to allow the States more flexibility. I would suggest that the committee look at four things.

It is not surprising that this has occurred. It is a new world. Things change dramatically. We have many more single mothers out there. It is not surprising. Now the committee and the committee in the House should respond appropriately by getting to the bottom of the problem and solving it.

First, we have to change the asset limit for vehicles especially. It is more important than ever now for mothers to have good transportation because so many of them work. That is the first thing.

The second thing is at least consider—I am not enough of a food stamp expert to know all the ins and outs—but it makes some sense to separate, at least for purposes of quality control, working families from the disabled and the elderly, because they are so different, and it is possible that a good solution could be fashioned around that step.

The third thing is that I want to strongly endorse Bob Greenstein's suggestion of finding a solution that is also compatible and works hand-in-hand with Medicaid, because we had exactly the same problem in Medicaid. When I was still with the Ways and Means Committee, we had a hearing about this and invited several States, and they employed very aggressive administration action to make sure that people knew they were eligible, to make it as easy as possible for them to get the benefits—for example, in one State, Florida, you could do the entire application and re-application by telephone—those kinds of measures were very, very effective. Coordination with Medicaid is important.

The final thing and probably the most important would be to lengthen the accounting period for the purpose of the quality control. As Bob mentioned, it is simply impossible with low-income families to trace their income. It could change every week, and there is no administrative system known to man or God that can follow the wages of an external group from week to week; it just cannot be done.

When the quality control investigators come along and have a week to examine a case, they can reveal a lot of these things, and that is why the error rates in these cases are so high. We should at least give the States a 6-month period in which they are held harmless for any changes in income among families that work.

Let me leave you with this thought. I believe there are very few, if any, actions that the Congress could take in the next 18 months that would have a more immediate and pervasive effect on child poverty than solving this food stamp issue and making sure that these families get their food stamp benefits.

Thank you very much, Mr. Chairman.

[The prepared statement of Mr. Haskins can be found in the appendix on page 87.]

The CHAIRMAN. Thank you, Dr. Haskins, and thank you all for very excellent statements. As I said, they will be made a part of the record in their entirety.

Dr. Haskins, I would just ask you to compare and contrast the role of TANF as opposed to that of the food stamp program, and what you conclude about the appropriateness of TANF being a block grant and the Food Stamp Program, being a national program.

Mr. HASKINS. I may be in agreement with Bob Greenstein that I would never say block grants are great, plus I was involved when the House wanted a food stamp block grant, and Senator Lugar, as Bob pointed out, was very strongly opposed to it, and we did not wind up with a block grant.

There is no question that if you have a block grant, you do not have to worry about the administrative details. You give the States a bunch of money, and it is their problem. You can still have accountability, but you do not have to worry about the amount of money going up. That is what we have in TANF. In food stamps, when you have an open-ended entitlement, if the States are not careful in the administration, if costs the Federal Government a lot more money, and fraud goes up; that reduces public support. There are lots of problems with fraud in any program that does not have good quality control.

As long as food stamps is an open-ended entitlement, there simply has to be some type of quality control. That is why the 6-month hold-harmless period should at least be tried. If the committee is concerned that that could lead to more fraud—and it would lead to some more not deliberate fraud, but to more overpayments; I am quite certain of that——

The CHAIRMAN. What do you mean by a 6-month hold-harmless period? I do not understand.

Mr. HASKINS. Under current law, when the quality control investigation takes place, they look at a case in great detail, and if a working family got a job and was making $7 an hour, and in week one, they worked 35 hours, the next week they worked 40, the next week they worked 38, the normal State administrative system could not follow those changes. Furthermore, the family might quit work for two weeks—we know this; very clearly, many families are in and out of the labor force. That to be accurate, you have to follow all those changes.

What I am proposing and several others have proposed—and the States can give you a lot of information about this—is that the statute allow the State to make an accurate collection of information and computation when the family goes to work; and then, for the next six months, as long as the family continues working, you would not have to take into account changes in wages. Then, at the end of six months, you would have to redetermine and make sure the wage is still correct, and hours of work, and so forth. Or, if the committee were nervous about that, you could do it for three months. That is an essential part of the solution that the States have a period during which they are held harmless.

The CHAIRMAN. Mr. Greenstein, your observations?

Mr. GREENSTEIN. I very much agree with Ron's point on the six months. I would note that the Department last November issued a regulation that now gives States the option of essentially doing what Ron just suggested; however, while some State are moving in that direction, the State take-up has been less than one otherwise would have expected, because there are still on the part of States concerns about the quality control issues generally on having a lot more working families on the program. My sense is that one needs to couple these kinds of improvements with the quality control improvements, and then, that more States will be able to take advantage of the option.

There is another proposal also in a regulation that was issued in November, but it has not taken effect yet, that the States have suggested that is an excellent idea. I presume Ron would like this also. There is this very difficult situation, as Ron mentioned, when a family leaves welfare for work. The food stamp office knows this family's circumstances are changing—the exact income is changing—so often, to protect themselves against errors, what the food stamp office may do is to end the family's current food stamp certification period at that point and say "You have to come back and reapply."

Now, here the family; it is now ineligible for welfare, because it is going work. It is told "We are ending your food stamps; you can come back in if you want to reapply." It assumes that it is no longer eligible for food stamps, either, and it does not come back.

The suggestion—it originated from the States—was to give States an option to freeze the food stamp benefit for a transitional period when a family works its way off welfare. The regulation would allow States to do that for three months, but because that regulation needs approval from the management side of OMB under a technical paperwork issue, it still has not been allowed to take effect, and States are waiting for it.

Some of us are actually suggesting you consider in reauthorization lengthening that transition period; maybe that should go to as much as six months.

The one point where I would mildly disagree with Ron—our conclusion is the same; the mechanism would be different—is that I do not actually think you need to do more in statute on the vehicle issue because of the provision that you enacted in October that gives States the option of aligning their vehicle rule with their TANF vehicle rule. We are just completing a survey of what States are doing, but a large number of States are moving to solve that problem—30 already, the undersecretary says—so I am not sure that one needs—by the way, a final point that I would make is that a block grant is the wrong way to go, but here was an example, the legislation you passed in October. You did not do a block grant. You said here is an area, the vehicle rule, where it makes sense to give States the option to align their vehicle rule with the TANF rule. The regulation that I am referring to says give States the option of freezing the benefit for working families for six months. The reg that I hope will be approved at OMB soon says give States the option of freezing the benefit for the family that works its way off welfare for three months. Rather than a block grant, we can find discrete areas where an appropriate option, flexibility for a State to simplify matters in a way that facilitates service to working families, coupled with reform of the quality control system, could help make a lot of progress.

The CHAIRMAN. Thank you very much.

Mr. Bost, do you have any observations?

Mr. BOST. Yes, just a few. What we are looking at is a combination of all of those factors. Up until a month or so ago, having had the opportunity of running one of the largest food stamp programs in the entire country, we looked at making all of those changes, to some extent.

Let us talk about this certification period. For some families, it was three months, for some families, it was six months, and for some families, it was essentially nine months. For us, the issue was having the flexibility to make some kind of determination.

The other thing that I instituted 2–1/2 years ago that probably helped us a great deal was the call center. We implemented call centers which would essentially allow families to call to note changes, and they did not have to come in if they were working.

The other thing was to extend office hours to evenings and Saturdays, so that if they had to appear in person, they could do that.

On this issue of the quality control system, I would agree. All of us are absolutely correct in savings that we do need to do some things in terms of changing it. The problem or the issue or the challenge is—to what? No one has asked to what. They say, well, it needs to change; it is too complicated. We are working on what

to change it to, because we have got to maintain integrity in our system.

I do believe very strongly that we do need to look at making some adjustments in terms of what that system is, because as so many people have said, a significant number of States have indeed been sanctioned.

On the other side of the coin, there is some incentive or there should be some incentive for States to ensure that accurate food stamp determination is made for people who come into their offices, to ensure that people get every dollar that they should receive.

There has to be that balance in terms of accuracy determination, and incentives in programs, but there also has to be some sort of quality control there to ensure that we address issues directly related to fraud and abuse. They go hand-in-hand, as far as I am concerned.

I have one final point—I want to talk about participation rate. When I looked at Texas in the report that was most recently released this morning, low participation rates are directly related to several factors. One, we have people who are working, earning more money, and they are no longer eligible. No. 2, some clients—and this is not from research but from me actually going out and talking to clients—some clients, many clients, have essentially said to me that they found the process difficult to understand, so they did not come in to apply. A third group of people essentially said that when they were no longer receiving TANF, they were not aware that they may still be eligible for food stamps.

It is a combination of all of those factors, but let us not forget that first large group. Many people, as a result of welfare reform, as a result of a very strong economy, are no longer eligible to receive food stamps because they have a job, they have income.

There are those other three or four categories of people who are very, very important, but that is one that sometimes we overlook.

The CHAIRMAN. I have two other questions, and I will just ask one and then wait for my second round.

Right now, it is my understanding that the average expenditure for food by families in America is about 11 percent of disposable income. Yet under the Food Stamp Program, we expect poor people to spend up to 30 percent of their disposable income on food. Then, food stamps are supposed to make up the difference between the 30 percent and what is needed in order to have a healthy diet.

What would you think about lowering that 30 percent? Why should we ask poor people to spend 30 percent of their disposable income on food when the rest of us are spending 11 percent of our disposable income on food?

Mr. GREENSTEIN.

Mr. GREENSTEIN. I am going to surprise you and say no, I would not favor lowering that, and here is why. Being practical, again, you are going to have a limited amount of resources for the nutrition title, and I hope that you improve the adequacy of food stamp benefits. Lowering the 30 percent figure is very expensive. It is going to consume a lot of the limited resources that you would have available, and it would target the biggest benefit increases to the highest-income households on food stamps.

Let us suppose you lowered it from 35 percent to 25 percent. You would be increasing the benefit by five percent of income. Well, for somebody at 120 percent of the poverty line, you would increase the benefit three times as much as for somebody only at 40 percent of the poverty line.

Let me suggest a better way to deal with that. A better way to deal with the issue that you are raising, is to look at the standard deduction in the Food Stamp Program. We have a standard deduction which was actually created under a proposal of Senator Dole back in 1977. The standard deduction is a proxy for certain expenses that households have that take away money that they otherwise might spend on food, and those expenses rise over time, it was adjusted for inflation until the welfare law—this was a provision that I referred to earlier where the House approach rather than the Senate approach ultimately prevailed.

There is another funny thing about the standard deduction. The standard deduction is the same for a single individual as for a family with several children, but the family with several children has more expenses. There is a bill that has been introduced on a bipartisan basis by Senators Specter and Kennedy and Leahy and others that proposes to replace the current standard deduction with one equal to 10 percent of the poverty line. The first 10 percent of the poverty line—if your income is only 10 percent of the poverty line, it is not like you can spend 30 percent of that small amount on food.

That would have two effects. Over time, it would improve the adequacy of the benefit. It would target it more to the people most in need than lowering the 30 percent figure would do. It would address the anomaly in the program that exists today whereby the standard deduction in the same for a single individual as for a family with children.

I would rather spend the bucks on that than on lowering the 30 percent figure.

The CHAIRMAN. Very good. Thank you.

Mr. HASKINS. Mr. Chairman, could I just add that especially if these extended accounting periods and so forth are put in statute, I would be very surprised if the Congressional Budget Office did not say that there will be a cost to these. That is a crucial thing to support working families, and it is another reason to husband your resources and focus them on this big problem. I am almost sure it will have a CBO estimate. Nobody has gotten an estimate yet to my knowledge, but I am almost positive there will be a cost ascribed to it.

The CHAIRMAN. Yes, Mr. Greenstein, go ahead.

Mr. GREENSTEIN. I was just going to briefly add that this committee is going to face a difficult decision. You have an allocation from the Budget Committee. We have talked about the magnitude—the Undersecretary's figure was that food stamp expenditures have come down at $7 billion a year.

There is a figure in Ron Haskins' testimony where he notes that at the time the welfare law was enacted—correct me if I am getting your testimony wrong—it is an interesting piece of work that Ron did in the last few weeks—at the time the welfare bill was enacted,

CBO forecast that food stamp expenditures from 1997 through 2002 would be $190 billion.

Mr. HASKINS. Yes.

Mr. GREENSTEIN. When he looked at what the actual expenditures have been and CBO projects for the next year or two, it is $120 billion. It came down $70 billion more over six years than the amount the welfare law already was assumed to save.

Mr. HASKINS. That is right.

Mr. GREENSTEIN. Here is what I am getting to. You are going to have a decision, which I know will be difficult for you, where the same dollars have to be divided between the agricultural side and the nutrition side. The things that we are all talking about cost some money. The House is talking about $2 billion over 10 years for the food stamp part. We cannot begin to do the things that we are talking about for $2 billion over 10 years. You are going to need to have more than that to address these issues.

Mr. BOST. Mr. Chairman, the point that I was going to make in reaction to your suggestion, is the issue that there is not one suggestion, but several suggestions, so it is a question of, one, how they fit, and two, the fact that all of them are going to cost a significant amount of money. Therefore, it is a question of the biggest bang for the dollar.

The CHAIRMAN. Senator Lugar.

Senator LUGAR. Thank you very much, Mr. Chairman.

The testimony that all three of you have presented is just very helpful, and likewise the oral testimony on the changes that we might make. This last colloquy on cost is important, and Mr. Greenstein's earlier comment strategically, that he would favor not having the title in the Farm bill and taking our chances maybe the year after. That, we will have to take a look at simply because I am not sure that in the year following the Farm bill or whenever this is to be taken, there are additional funds. I am open to instruction as to where you find the liberality beyond this given the budget construct that we are working under, but can you illuminate that any more? In other words, if we were not to put this in the Farm bill—and as you have suggested, one reason for not doing so is not to run into competition with other claimants in the Farm bill—where do we get the money later on, or how do we deal with this more favorably?

Mr. GREENSTEIN. Let me clarify. I have created a misimpression of what I was saying.

I am strongly in favor of including the food stamp title in the Farm bill—strongly in favor of it. What I was saying was in response to Senator Harkin's question that I did not favor doing school lunch or school breakfast in the Farm bill. I strongly favor doing food stamps in the Farm bill. Lunch and breakfast have never been a part of the Farm bill. They are also under a different committee of jurisdiction in the House. They come up for reauthorization in 2003. There is not an immediate crisis in them. In fact, unlike this big decline in participation in food stamps, there has really been no decline in participation in school lunch, even in free school lunch, even in spite of the reduction in poverty and the improvement in the economy. Congress seems to have an easier time

politically finding resources when the time comes for the school lunch program given its broad popularity.

My fear if you did school lunch or school breakfast in the Farm bill, is that the first decision the committee makes is agriculture versus the nutrition title, and you end with an amount for the nutrition title that, whatever the number is, it is probably going to be less than I hope it will be. Then, out of that limited amount of money, if one does lunch and breakfast there, you are taking it out of food stamps, and my guess would be that some of whatever you do in lunch in particular, a significant amount of that will be middle-income children, and as Ron is saying, the principal focus now has to be on working poor families with children in the Food Stamp Program. That is the No. 1 issue. I do not think you will end up, unfortunately, with enough resources to do all that should be done there. I would not dilute it further by doing lunch and breakfast, but I definitely recommend in favor of doing the food stamp title in the Farm bill as it has traditionally been done.

Senator LUGAR. How about the WIC Program; which way would that fall—in the bill now, or outside of it, or are there other things we should identify?

Mr. GREENSTEIN. WIC is up for reauthorization in 2003. Again, there is not any immediate crisis. It should be reauthorized in 2003. Also, since WIC is a discretionary rather than a mandatory program, this committee does not get charged with costs. Those are charged to the Appropriations Committee each year in the appropriations cycle.

Senator LUGAR. With regard to the changes that are suggested here, probably as we proceed with them—and each of the ones that you have made with regard to the accountability factors and the various ways in which we can simplify or make it more flexibility for States, and each of you have suggested, as opposed to maybe having a general Federal standard that States be given some discretion in these things—I suppose that as we begin our reform efforts, we probably ought to get some CBO scoring as we go along so that we all understand that there are some costs involved, and there are no surprises at the end of the trail.

Having said that, do you have any idea what kinds of costs we are likely to run into? Have any of you costed out any of the reform suggestions that you have made this morning?

Mr. BOST. Senator Lugar, we have just started to line up some of the possible changes and recommendations and essentially what kind of impact they would have, and I have folks in our shop looking at putting numbers behind those. At this point, I do not have any firm numbers that I am willing to share, because I do not want to be premature in terms of putting them out there and then having to defend them down the road until I get all of my questions answered. I would say generally that it is going to be a significant amount of money in terms of the types of changes that all of us have talked about. You are looking at increasing access; you are looking at making the system easier to negotiate; you want to bring people in; you want to provide incentives to States to ensure that they do that. The States are essentially going to say that it is going to cost them more money for those things to occur.

I know, having had the opportunity to run a State system, there were some other additional initiatives that I felt that I could do if I had received more money from the Federal Government. From that vantage point, all of these things are going to cost us a significant amount of money.

Mr. HASKINS. Could I add one point to that, Senator Lugar?

Senator LUGAR. Yes.

Mr. HASKINS. I know that this will do not good with the Congressional Budget Office, and it does not help the bottom line, but when thinking about this additional spending, we should keep in mind that what we are talking about here is getting benefits to children who are eligible under current law. I know that that does not make any difference to CBO, but it does make a difference when you consider the types of proposals that you might support.

Our goal is not to create new eligibility or to increase benefits; it is to get benefits to people who already deserve them under current law.

Mr. GREENSTEIN. Senator, CBO has costed some proposals that are in some bills that other Members have introduced, like the bill I mentioned that Senators Specter and Kennedy have introduced, and Congressmen Walsh and Clayton introduced a similar bill in the House. Based on past CBO estimates in-house at our center, we have done some rough estimates of what we think would be the approximate amount CBO would estimate. I will just read you a few of them.

The standard deduction provision that I mentioned a few minutes ago is about $2.7 billion over 10 years. If one gave States the option of doing transitional food stamps for families working their way off welfare, we think that that is about $1.7 billion over 10 years.

There is a package of pretty interesting simplification options that we have been working on and developing based on conversations with a number of State people. Those have not been costed yet by CBO. We are guessing that they are going to end up somewhere in the $200 million to $500 million range over 10 years and, depending on what you do on legal immigrants, that could be a few billion dollars over 10 years.

CBO does not yet have cost estimates on the quality control reforms, and we are not sure exactly how those are going to be costed. Hopefully, those will not be too significant.

These are some initial-type estimates. That is not to say that none of these provisions cannot be designed in a way that costs less and also does less, but the bottom line is that these things cost real bucks.

Senator LUGAR. Well, it strikes me, and I suspect the chairman would agree, that we probably ought to line up on a sheet of paper the proposals for reform, most of which, it seems to me, have extraordinary merit, and see what they are going to cost; and then have our draftsmen try to think, in the tradition of Dr. Haskins' work in the past, about how you can mitigate the cost of any of this and still get most of the effects of it, even after the sticker shock has hit from the initial list.

Secretary Bost, it is very important—and I have no idea what the policy of the Secretary is here, or yours—but if there are strong

recommendations that you have—and these are certainly exemplified in your testimony today—that the administration provide a program fairly quickly, both for the things that we ought to do and the costs. I understand you do not want to make it prematurely, but we are coming down the trail rapidly with regard to farm bill preparation, and unless those of us around this table are going to sort of scratch it together, parsing the testimony to pick out this and that and so forth, you have got a shop of people who are experts to do this kind of work. Again and again, with each of the administration witnesses, without being difficult about it, I am just saying speak nor or forever hold your piece. This is the time.

The CHAIRMAN. I agree.

Senator LUGAR. Now, people say, well, we have not had a lot of time, and that is true, and there is still the problem of getting people confirmed. The chairman has been very helpful, and in a bipartisan way, this committee has moved people along readily—but still, you have problems, and I understand. In your shop, you are there; you are confirmed——

Mr. BOST. A month ago.

Senator LUGAR [continuing]. You have some helpers——

Mr. BOST. One month ago. Senator Lugar, to respond to that, we are working with all deliberate speed to ensure that I put forth those recommendations just as quickly as I possibly can.

Senator LUGAR. That is great.

Mr. BOST. As I said, I have been here one month; I am learning all the hoops that I need to go through; I am learning everyone whom I need to talk to. I have had at least four or five meetings personally with my staff to make a determination on those recommendations that I feel are very important that I would like you to consider, along with giving those assignments out so that people can attach costs to them. I really do believe that I bring a little bit of a unique approach to it, having had the opportunity of running the program, too, of being on both sides of the fence almost at the same time.

Senator LUGAR. It is an extraordinary approach; and supplemented by your two colleagues at the table today, perhaps we can fashion something fairly rapidly. I look forward to those recommendations, in all seriousness.

Mr. BOST. Thank you.

Senator LUGAR. Thank you, Mr. Chairman.

The CHAIRMAN. So do I.

Senator DAYTON.

Senator DAYTON. Thank you, Mr. Chairman.

I am very sorry to have missed the testimony. I am trying to catch up here, reading, and I do not really have a set of questions because I would like to get on to the next panel.

I would just note from what I have been able to glean so far that I am very alarmed by the testimony that has underscored the decline in participation and utilization of these important programs.

I note, Dr. Haskins, that you and perhaps others have made some recommendations both in terms of making this program less restrictive and, like all Federal programs, unnecessarily complicated in terms of eligibility determination as well as granting greater flexibility to the States with the working participants so it

can be worked more in concert with TANF. I am looking forward to the next panel to address maybe some specific recommendations in this area, because I certainly think, Mr. Chairman, that this program has been so important to so many Americans that we really ought to look with alarm at these declining participation rates and make sure that whatever we do in this reauthorization improves access and efficiency.

Thank you.

The CHAIRMAN. Thank you very much, Senator Dayton.

Senator WELLSTONE.

Senator WELLSTONE. Thank you, Mr. Chairman.

I am also sorry that I missed the testimony. Senator Dayton and I had to testify at another committee about workers out of work and the need to get Trade Adjustment Assistance.

I have some questions, if it is OK. One thing that I want to say at the beginning, which is in just a little bit of disagreement with Dr. Haskins—I am in complete agreement on the whole issue that those people who are eligible should be participating, and I want to come back to the report today from Food and Nutrition Service—but again, whether we like it or not, we cut some of the food stamp benefits in that welfare bill. For example, a typical family of three with a monthly income of $957—that is 81 percent of the poverty line, Mr. Chairman—is eligible for $154 in food stamp benefits under current law. If we had not had the across-the-board reductions in the welfare law, they would be receiving $174. That is an 11 percent increase. To that family, that is really important. Some of the minimum benefits are laughable. The lowest is $10 a week for one person, or something like that. It is pretty embarrassing, frankly. I do not think it is just a question of making sure that the people who are eligible get the benefits that they are eligible for; we need to look at the benefits.

I understand Senator Lugar's point about the restraints that we are operating under, but there is also the other cost—and I also want to make the point about eligibility again. One of the things that has also been a huge problem—and one of you, it was Bob, talked about the issue of the savings in the cuts in food stamp benefits—we cut the food stamp benefits for legal immigrants. Have you noticed that the politics in this country about immigrants is changing? Then, we restored it, for children and disabled post-1996. The point is that a lot of the children still do not get the benefits because their parent or parents are not eligible, so they do not go.

Let us get real about what we did. We are going to have to face this decision. I want to push hard that we restore eligibility for benefits for legal immigrants. There are a lot of legal immigrants in this country with their children. There is more to it than just expanding eligibility.

Let me now go to my question. The first question is for Undersecretary Bost. I appreciate the report. I have been asking for this for a while, and I am so pleased that you came forward today. The Food and Nutrition Services people do good work, and again, it is a matter of—one more time for the record—glass half-full, glass half-empty. Undersecretary Bost said—and he had every right to—listen, remember that you had a certain percentage who were no

longer participating because they were not eligible because they were working—44 percent. We might be more troubled that over half of the people who are not participating are still eligible. We have had something like a 30 percent decline. There were a lot of reasons, and you were very forthright about this, and I appreciate your testimony.

What would you recommend that we do, Secretary Bost, by way of—and I know that Dr. Haskins is interested in this as well—what do you think we need to do to make sure that the people who are eligible right now know they are eligible? Where is the outreach? Where is the infrastructure?

Mr. BOST. There are a couple of things we can do at the Federal level and also have the opportunity of doing from the State level. One, provide information across the board to those persons that we think are eligible; two, provide additional training of staff for persons who come in to apply, especially those who are receiving TANF, and when it appears that they are no longer going to be receiving TANF, also make them aware that they might still be eligible for food stamps. That is one thing we did in Texas that saw a little bit of a reversal in terms of the number of people who fell off the welfare rolls but were still eligible for food stamps and did not come back in to apply.

The other issue that we have heard consistently from clients is the issue about it being difficult for them to access services. There are two categories—people who work, people who do not work. Those persons who do work essentially said, "It is difficult for me to take off and come in to apply." The second group of people essentially said, "I do not understand all of the rules. I do not understand all the pieces of paper that I need to bring in to ensure that I am eligible."

We need to address both of those groups of persons, and we have all talked about some steps that we can take to do that. When you combine all of those initiatives, you will see—and I believe that we have seen—a significant turnaround in terms of those persons who are indeed eligible and are now participating.

I know that the commissioner from Maine, a good friend and colleague of mine, Kevin Concannon, has done an outstanding job in terms of ensuring—and I know that he is due to testify, and he can talk about some of the things that they have done in Maine—to ensure that people who are indeed eligible actually come in to the offices to apply.

All of those are things that can be done.

One final point—and I am going to speak wearing both hats now, since I have only been in this role for 30 days. There are some things on the State level that I wanted to do, but I could not afford to do them. On the issue of call centers, I got a 50–50 match. I did two or three. I would have wanted to have done more if I had more money to do it.

On the issue of training, I appropriated money to train all of our staff. I could have done more training, because I believe that training is very important.

There is the issue of public service announcements. I could go on and on. It is a question of how much money you want to put out there to ensure that you address this issue.

Senator WELLSTONE. Thank you. The light is yellow, and I want to fire two questions to each of the other panelists, and then you can answer, so I do not run out of time.

By the way, my understanding is that right now, it takes an average of five hours for someone to apply.

Mr. BOST. That is not true.

Senator WELLSTONE. OK. Good. That is great.

Mr. BOST. In the office in Texas——

Senator WELLSTONE. This is according to the recent testimony before the House subcommittee.

Mr. BOST. Maybe that is an average. We were able to put all the information on one application—food stamps, TANF, and Medicaid. I am not going to say that it is short, by any means, but the average time period that it would take a person to apply was about two hours.

Senator WELLSTONE. OK.

Mr. Greenstein, on the issue of fraud—you were talking about quality control and how it does not work—are there ways that we can revamp the quality control system—maybe you went over this—and still protect ourselves against the concerns about fraud? If you could speak to that, and then, Dr. Haskins, I want to ask you about the whole issue of benefits for legal immigrants, because that comes up over and over again—on food stamps—if I could.

Mr. GREENSTEIN. There are a number of things to look at in the quality control area, but the single most important is the outdated provision in the food stamp law that says no matter how well States perform as a group, every State above the national average is subject to penalty. In other words, even if the States as a group move to very good performance, in any given year, roughly half of them are subject to penalty, which puts tremendous pressure on the States. We have had State directors say to us, "Look, here is a possible procedure; it might lower my error rate a few tenths of a point, but it is going to impede participation by working families, and I do not want to do it." If 10 or 15 other States adopt it, that forces me to consider it, because we are all measured against each other for this national average.

The USDA in the mid to late eighties, under the Reagan administration, contracted with the National Academy of Sciences to do a study of the food stamp quality control system and recommend changes. One of their principal recommendations was that the system should penalize the States that are the outliers, that have the outlying, unusually high error rates—not everybody who is above the national average.

Now, there is a provision in the food stamp law that also gives the Department the authority to go after and exact financial penalties on any State that is negligent in the administration of its program.

Senator WELLSTONE. Does that mean the people who are eligible do not get the benefits—that kind of error?

Mr. GREENSTEIN. No. We used this some when I was running the program in the late seventies. This rarely happened, but you have a procedure that Congress has put in to reduce overpayments and, for whatever reason, a State just does not implement it—something egregious like that.

Here is my point. We can revamp the quality control system so the sanctions apply to the outliers, and you still have the authority—if a State is not an outlier but loses a lot of money because of gross negligence, the Department still has the authority to identify that individual State and do something. We should not automatically be subjecting half of the States to sanctions in a given year.

One quick point on another front when you were mentioning improving participation. One of Mr. Bost's former colleagues, Don Winstead, who runs the programs in Florida, said to me some months ago, "Bob, more of us States are moving to enable working families to apply for Medicaid outside the welfare office. If food stamps is not enabled to move with them, we are going to have families that are not on welfare—they are not going to the welfare office for welfare, they are not going to the welfare office anymore for Medicaid—if the only thing they have to go for is a complicated food stamp process, we could lose even more of them."

One of the recommendations I made and Ron also talked about was enabling food stamps to move in line with Medicaid for working families, so you would have a simple process by which working families could apply for both together.

Senator WELLSTONE. Put child care in there.

Mr. GREENSTEIN. If you align food stamps and Medicaid first, you then may be able to ultimately put child care in there as well. That is the right vision.

The CHAIRMAN. Thank you.

I have one last question I want to ask. The food stamp program is a Federal program. Yet it is administered by the States. It has come to my attention over the years that in some States now, the application for food stamps is two pages long, and in some States, it is 30 pages long. If it is a Federal program administered by the States, why can't we come up with a standard form? What is wrong with having a standard form that is two pages long? If some States can get by with two pages, why can't all States?

Mr. Bost.

Mr. BOST. Well, It is a question of what some States feel like they need. In the State of Texas, we were able to combine our form to include both TANF, food stamps, and Medicaid on four pages, front and back, that included both English and Spanish.

The CHAIRMAN. On four pages?

Mr. BOST. On four pages.

The CHAIRMAN. You included them all?

Mr. BOST. We included them all. I brought it down from 10 pages to about four pages. To respond more specifically to your question, we are in the process of working with all the States to talk about this issue of making the application and the application process more user-friendly.

The issue is that there are some—and Bonnie will correct me if I am wrong—but I do believe there are some instances where there are State mandates in terms of information that they need to collect, so they just added them all on one form, and that has essentially extended the form. In addition to those Federal requirements, there are also State requirements that States have put on one form. Also, there is the State infrastructure in terms of being able

to collect all the information, put it into computers and actually use it. The Department is in the process of working with all of our State partners now to address this issue of making a form or developing a form or providing them with the flexibility to ensure that the form is just as customer-friendly as it can be.

The CHAIRMAN. Well, I want to look at that issue as we reauthorize the Food Stamp Program. If States want to collect a lot of different information, let them do it another way do it on a State program form.

Mr. Greenstein.

Mr. GREENSTEIN. Federal rules, some of them rooted in the law, require States to, for example, track all kinds of minute pieces of income that only small numbers of households have—income for giving blood, all kinds of minute forms of assets. You could help the States shorten the forms if, as part of reauthorization, we enable some cleaning out of these tiny forms of income and assets that few people have—it would not be a big cost—but not require the States to have to—and you should look at the number of little pieces of assets——

The CHAIRMAN. Right. Why do some States form have, as I have been informed, include a couple of pages, and some States——

Mr. GREENSTEIN. Senator, some of the States that have short forms then have supplemental worksheets that the workers go through that ask all kinds of detailed questions.

Mr. BOST. That is exactly right. As a part of what we are doing now in terms of those recommendations—let me give you a really good example of what I am talking about.

About 18 months ago when I looked at the form, I had them line them up in terms of Federal questions that we have to ask, State questions that we have to ask, and other things that we can change and tinker with. I looked at all of those, put them on the board, and we looked at those that we had to have and those that we did not think we wanted to have, and we called the folks at USDA and said maybe we should not have to have them, and maybe we can put them on something else.

The State questions that we were asking over a period of time were piled on top of each other, so I took them all out. That is how we were able to bring it down to about four pages, by going through that process—and I do believe that many of the States are in the process of doing that now.

The CHAIRMAN. I would ask all of you here—you are all experts on this—if you have any suggestions on how we might proceed on that from here. Most of those questions are not legislated. They must be rules—I do not know. If we have legislated them, I would like to take a look at it. If they have accumulated over the years, as you say, Bob, maybe we can weed some of those out.

Any advice you have for us on how we might do that would be appreciated.

Mr. BOST. Mr. Chairman, during the course of reauthorization, in terms of the recommendations that we are developing now, those are going to be some of my recommendations, to delete some of the stuff that is on there now that is of no value to us.

The CHAIRMAN. When are you going to get those recommendations to us? I mean, we are moving ahead on this Farm bill.

Mr. BOST. As quickly and as deliberately as I can. I do not have a date.

The CHAIRMAN. All right.

Senator WELLSTONE. Mr. Chairman.

The CHAIRMAN. Yes.

Senator WELLSTONE. In 20 seconds, I had asked Dr. Haskins about legal immigrants and what his recommendation was on whether we should restore the benefits.

The CHAIRMAN. Oh, yes. Go ahead.

Mr. HASKINS. Senator, I would not change a semicolon in the law that was passed in 1996. America offers immigrants the greatest deal in the world, literally. They come to the country with the most individual freedom, the hottest economy. They are required by our laws to have a sponsor if there is a possibility that they cannot support themselves. When they become citizens, they are eligible for welfare benefits just like every other American. In the 1996 law, we made them eligible for several programs that had to do with self-advancement, like Head Start and other education programs. In addition to that, we covered many emergency situations.

This is simply a value distinction. It does not make sense to bring people to your country for opportunity and then put them on welfare. Taxpayers should not have that obligation; their sponsors have that obligation.

Senator WELLSTONE. Well, I do not want to get started—can I take 20 seconds?

The CHAIRMAN. We have another panel to hear from.

Senator WELLSTONE. We will just have a major debate about it later.

[Laughter.]

Mr. HASKINS. Name a time and place, Senator—I will be there.

The CHAIRMAN. Thank you very much.

We will now dismiss the first panel and ask our second panel to come to the witness table.

The CHAIRMAN. We welcome Karen Ford, Executive Director of the Food Bank of Iowa; Kevin Concannon, Commissioner of the Maine Department of Human Services; Celine Dieppa, a Food Stamp Program participant; Dean Leavitt, Chairman and CEO of U.S. Wireless Data, Inc.; Dr. Deborah Frank Director of the Grow Clinic for Children at Boston Medical Center and Dr. Cutberto Garza, a professor at Cornell University in Ithaca, New York.

Mr. Bost, before you leave, I would just like to say that I want this panel to hear from Mr. Leavitt.

Mr. BOST. I will be right back.

The CHAIRMAN. Oh, I did not know if you were leaving.

Mr. BOST. No. I will be right back.

The CHAIRMAN. OK. Thank you.

We welcome our second panel, and again, without objection, all of your written statements will be made a part of the record. I will ask each of you to keep your remarks to 5 to 7 minutes, and we will use the lights here.

First, Ms. Karen Ford, Executive Director of the Food Bank of Iowa. You have been here before, Ms. Ford, and we welcome you back.

STATEMENT OF KAREN FORD, EXECUTIVE DIRECTOR, FOOD BANK OF IOWA, DES MOINES, IOWA

Ms. FORD. Good morning, Mr. Chairman, ranking member Lugar, and distinguished committee members.

My name is Karen Ford, and I am the Executive Director of the Food Bank of Iowa, which is an affiliate of America's Second Harvest.

The Food Bank of Iowa is housed in a 53,000-square-foot warehouse in Des Moines. Just for the record, Mr. Chairman, I want to once again invite you and Mr. Halverson to visit at your earliest convenience.

Last year, 4.2 million pounds of grocery product was distributed to 240 member agencies and food banks. Nineteen percent of the product distributed was TEFAP and bonus commodities. The Food Bank has a 42-county service area covering 30,000 square miles, populated by one million Iowans living in small towns and on farms.

I am here today to provide suggestions for food stamp reauthorization that will be contained in the Farm bill moving through Congress this year or next. It is my understanding that the House Agriculture Committee is proposing only $2 billion out of the over $70 billion in new funding in the Farm bill to go to food stamp support. Mr. Chairman, that is not enough and is very shortsighted based on what I see in our State of Iowa and what food bankers see across the country.

A recent study was done as a followup by Mathematica about the welfare system in Iowa, and it showed that after five years, even though people had moved off welfare, they were in essence no better off than they were before welfare reform. The reason was because they had moved off of cash assistance, but they were still in low-paying jobs, and with any kind of disturbance in their family situation, it was predicted that they would be back in need of assistance.

As a food banker, I just want to throw this in. I am requesting full funding of TEFAP administration, which to me means storage, distribution, warehousing. I thought that was important when I put this in my statement, but then, on Monday, I received a note from the program manager of TEFAP in the State of Iowa, informing me that they had run out of money, and there would be no reimbursement for the month of September for warehouse distribution and storage. This now comes very close to home. I am hoping that you will look at that as the cost of doing business as opposed to simply an administrative, paper-shuffling kind of thing.

In April of last year, Governor Vilsack created and appointed me to the Iowa Food Policy Council, a forum to study and make recommendations on food security and other food policy issues.

One of our first concerns was the food stamp participation level. From 1996 to 2001, participation in Iowa has dropped 28.9 percent, while demand on food pantries and feeding programs has increased. What is going on? America's Second Harvest "The Red Tape Divide" review helped to give us a few clues.

In Iowa, the application is over 10 pages long, but even more disturbing is that it is written at a 12th grade level. I was at a meeting with deans from Iowa State University, and they were appalled

at that; they said that their recommendation would be that the application be shorter, user-friendly, and written at a 6th grade level.

I do have some new information. In the fiscal year ending June 30, participation in Iowa was up with food stamps 5.1 percent. Part of that may be because although there is not much outreach, there has been a lot of outreach done through the food pantries and the soup kitchens and the emergency feeding programs, because being overwhelmed, they suddenly—or, maybe they have always known the importance of the Food Stamp Program—but now they are encouraging people to go.

The other thing is that last week, The Register reported that the Salvation Army had turned away 500 people who had come in need of assistance to help fulfill the contract that they had made with the energy company because of last winter's high bills. That is the kind of disturbance in a family's life that would cause this talk about rebounding back into a cash assistance program. That is not only Salvation Army; Catholic Charities and Saint Vincent de Paul said the same thing. They have simply run out of money to be able to help.

Based on my experiences, having the ability through this Policy Council, to look into what goes on and how Iowa's program is run, I have the following recommendations.

First, maintain the Food Stamp Program's benefit entitlement structure so that all who may qualify based on need can receive necessary nutrition assistance.

Second, simplify the Food Stamp Program by simplifying the eligibility requirements, the application process, change reporting and recertification.

It is apparent in our State that the reason why people are not necessarily overly encouraged to use food stamps is because of the quality control system, which requires USDA to calculate penalties for States that perform below the national average and to pay extra administrative funding to States that have very low error rates. Too often, a State's error rate is the only measure of performance in administering the program that receives any attention. It also seems to have the effect—and "paralyze" might be a little too strong—but of just being unwilling to make any significant changes because of the error rate.

Then, to make it more complicated, the Department received an award from USDA because it had lowered its error rate. It is kind of hard to tell them they are doing something wrong when they are being told they have done something really right.

The other thing would be to increase the minimum benefit level to $25 as opposed to the $10 currently. Hopefully, that would be a bit more of an attraction to the many, many seniors who live in Iowa; and also change the Food Stamp Program's name and implement EBT. Many stereotypes revolve around the name "Food Stamp Program."

These recommendations will not come cheap and will not happen at all without your help. We need to help ensure that funding in this Farm bill is made available to support changes that will make it easier for families and our seniors to access the Food Stamp Program. The best thing you can do for food bankers across the country is to strengthen the Food Stamp Program. Nothing else that I

can see will alleviate the tremendous demand for emergency food more than a strong food stamp safety net.

I agree that the food stamp administrators in Iowa are in a difficult position. With strict adherence to the QC system and the current financial crisis, food stamp reauthorization offers the best opportunity to make needed changes. I can only see that as—we have kind of come full circle—that it is time for the Federal Government to take the lead. In some States—obviously, in Texas—they have made broad strokes and gone a long way toward having a really excellent program, but that is not occurring in every State.

Thank you.

The CHAIRMAN. Thank you very much, Karen. Thank you for being here, and thanks for your testimony.

[The prepared statement of Ms. Ford can be found in the appendix on page 98.]

The CHAIRMAN. Next, we will go to Mr. Kevin Concannon, Commissioner of the Maine Department of Human Services.

Mr. CONCANNON.

STATEMENT OF KEVIN W. CONCANNON, COMMISSIONER, MAINE DEPARTMENT OF HUMAN SERVICES, AUGUSTA, MAINE

Mr. CONCANNON. Thank you very much, Mr. Chairman, members of the committee.

I am Kevin Concannon, Commissioner of the Maine Department of Human Services, and I am very pleased to be here today, both to speak to and to support the Food Stamp Program.

In Maine, it is of vital importance to our State. We are 37th in per capita income, and the ability of thousands of Maine households to maintain a nutritional support system is heavily reliant on access to benefits provided by the Food Stamp Program.

I am proud of the fact that Maine ranks fourth in the Nation in participation rate among households that are eligible for the program. According to the USDA, Maine reaches approximately 82 percent of eligible households. Over 53,000 families and 100,000 individuals receive food stamps in Maine on a monthly basis. Annually, that represents about $84 million to the Maine economy.

My predominant focus in Maine with regard to the Food Stamp Program has been on access. While in TANF, we have experienced a 55 percent decline in caseload, our decline in the Food Stamp Program has only been about 18 percent from its highest point. I might say parenthetically that we have the highest number of people on Medicaid and the CHIP program in the history of the State; we have had no decline there.

We believe the largest influence on these numbers has been the message we deliver to recipients. When a household in Maine applies for public assistance, as part of the application, they must attend a mandatory orientation. I attended one myself last week. During the presentation, our staff stresses the availability of resources to households, including food stamps, medical assistance, and other support services when and if they leave the TANF program and the cash assistance program.

We see the Food Stamp Program benefits as important transitional benefits for working households, while perhaps a longer-term benefit to the elderly and disabled to achieve appropriate nutrition.

Maine has taken advantage of some available options currently available under waivers, but much more needs to be done from our perspective.

Even the options and waivers currently available do not come close to addressing some basic faults that have accumulated in the Food Stamp Program over its long history. I really support the comments from the three panelists who appeared initially this morning on simplifying some of the complexity, increasing the benefits—for example, a minimum benefit is extremely important in our State. If realtors tell us that "location, location, location" is the predominant vector in real estate, then I would say "complexity, complexity, complexity" is the major area of concern that I have and the people who administer our program and the people applying for the program are currently faced with. I am very encouraged by Undersecretary Bost's comments about his experience in Texas and in Arizona, and now as the person responsible for the program.

Along with efforts to enhance access to the program, we acknowledge the responsibility to ensure program integrity. There has been far too much emphasis on QC or quality assurance, and far too little emphasis, if you will, on access and on outreach. There needs to be a balance, and in my view, having administered the program in Oregon as well as back East in Maine, there is too much emphasis on QC and not enough on simplifying and making sure that people have access.

The States through the American Public Human Services Association have addressed many concerns to be considered during the reauthorization process for the Food Stamp Program. We support the recommendations in the APHSA "Crossroads" document. I have attached for the record a summary from that.

Briefly, some of the recommendations are, first and foremost, to simplify food stamp calculations. Current design of the program is too complicated regarding the calculation of benefits. This is a problem for recipients as well as for those folks who administer the program, the people who work for us at the State or county level across the country. Failure of recipients to understand these requirements may well discourage them from applying.

The program can and should be simplified, but simplification should not undermine the fundamentally important goal of targeting. Bob Greenstein spoke to that. For example, in our State, we are in the middle of a steep increase in the southern part of the State in terms of housing costs, so we want to be able to target, but there does need to be simplification.

Second, simplify the processing. Recipients do not understand why the various Federal and State programs have different requirements. The Chairman referenced that in his questions. We administer the Medicaid program. I can fully and adequately meet all the Federal Medicaid requirements in a single sheet, front and back. I cannot do it in the current Food Stamp Program because we have to have workers bring people in to subsequently, as was mentioned, go off a worksheet to get that additional data that is required federally. It is part of that obsession—my word; excuse me—with the QC side of it, and there is not really commensurate interest in commitment to the access side. Some of those complicated forms and applications are, again, protective, if you will,

or defensive devices by States to try to keep them out of trouble on the QC side. It needs to be fundamentally revamped.

We need to simplify household composition. The current household composition rules for the Food Stamp Program are outdated. There are examples of that in my testimony.

We need to simplify the assets. With the advent of welfare reform and recent interpretations regarding categorical eligibility, some States, Maine being one of them, no longer subject families with children to an asset test. I am very mindful among the assets about vehicles. Maine has very little public transportation, and in the wintertime, it is a very cold and wintry place; it is genuine winter, and you need an adequate vehicle. The vehicle limitations really need to be conformed in our case to the TANF program, but I would exempt the first vehicle from any consideration of assets for families. You want people to be in a safe vehicle, especially in wintertime.

We very much support transitional benefits. Although they are now introduced for you can have them for a 3-month period, we think they should be for six months. We have transitional benefits in Medicaid, but it is for a much longer period of time. We help people with child care for a much longer period of time. We are very much focused on supporting families, and it is currently too short a time.

There is absolutely a need to enhance the benefits to the elderly and disabled. Maine has the fifth-highest percentage of elderly population in the country. This $10 minimum benefit—it is such a hassle to get so much for so little—dissuades people from coming forward. There ought to be at least a minimum $25 benefit, in our view, for elderly and disabled people.

Electronic benefits transfer—this is my 30-second catharsis for Maine—we are one of about 12 States that have currently not implemented EBT. The troubling thing in Maine is that the current issuance cost for food stamps in Maine is $800,000 a year. As you heard earlier, we have 82 percent of people receiving them. We are very committed to making sure people get those stamps. Going to EBT is going to cost us $2 million a year. I bring it from both parties of my legislature and the Governor—they are very unhappy about this cost shift to us, which is really what it amounts to to go to EBT, because of the rules that have been developed over time. It is going to cost us more. We like the prospect of EBT; it has many benefits, but it should not cost the State more.

On performance measures, I know of no other program that says, look, we are going to have to rank half of you folks below the median and half above—other than introductory statistics, it just is not very good social policy, and it really should be focused on State by State, helping States to improve their performance. This year, we are penalized as a State, interestingly enough, because we fall just below the median. When I got that, I almost reached for my "purple pill," because it bothered me a lot. We have the highest rate of participation in our region, as we should have, yet we are being penalized on the QC side. It makes no sense whatsoever to me. Those performance measures are troubling.

Finally, Mr. Chairman, I would say that we very much need the Food Stamp Program. We are bullish on it. We know that it makes

a difference in people's lives. We absolutely need the complexities reduced, simplification, and some adjustments in the benefit.

Thank you.

The CHAIRMAN. Thank you, Mr. Concannon.

[The prepared statement of Mr. Concannon can be found in the appendix on page 112.]

The CHAIRMAN. Now we turn to Ms. Celine Dieppa, a food stamp participant from Manchester, Connecticut.

Welcome.

STATEMENT OF CELINE DIEPPA, FOOD STAMP PROGRAM PARTICIPANT, MANCHESTER, CONNECTICUT

Ms. DIEPPA. Thank you.

Good morning. Thank you for giving me the opportunity to talk with you today. My name is Celine Dieppa, and I live in Manchester, Connecticut. I am a working mother of a 4-year-old daughter, Malexis.

I work at Shop Rite of Manchester, a local supermarket. At my job, I do a little bit of everything. I work as a cashier at a customer service booth and at the lotto desk. I usually work 30 to 35 hours a week, but sometimes I get the chance to work 40 hours or more. I am there for six and sometimes seven days a week. I earn $7 an hour. I pay for rent and utilities, and although I do get help with child care costs, I still have to pay $40 each month out of my pocket.

I have been participating in the Food Stamp Program on and off for four years. This program has made a big difference to me. I work to provide the beset for my daughter. I usually receive about $60 to $70 each month in food stamps, but since my income goes up and down, so does the amount of food stamps that I get. There are times that I may get just $10 or $20 a month. I really appreciate the help that I get from this program, yet there are times when it just is not enough. Sometimes it can be really hard to afford even the basics, like milk for my little girl. There have been times when I have had to go to an emergency food pantry to supplement what I could buy in the store. The first time I had to do this, I felt embarrassed and hurt that I needed to do this even though I was working.

It can be a real challenge and sometimes very frustrating for a busy working parent like me to remain on the Food Stamp Program each month. I have to submit a monthly report that asks for information about all my income in the last four weeks, my child care expenses, and the child support i receive. In addition to filling out this form, I have to attach documents to prove that everything I write on this form is true. I have to be very organized, making sure that I keep all my pay stubs and letters and copies of checks. I need to make copies of everything and get the paperwork in on time. If I lose something, or if I am late, I run the risk of getting cutoff the program. I do get health coverage for my child through the State's HUSKY Program, and I am not asked to report monthly in this program.

This month, I am not getting any food stamps at all because I was able to work many more hours than usual last month; but I am back to my regular work schedule now, and I hope that when

I submit my report next month, I will not have trouble getting back on this program.

Having help from the Food Stamp Program means so much to me and my child. If you can do something to make it easier for working families like mine who are trying to balance work and meeting the requirements of social services programs, it would be a great help.

Thank you for listening to me this morning.

The CHAIRMAN. Thank you, Ms. Dieppa, for being here and bringing it all back home, as they say, what this is really all about. I congratulate you. You really bring it home about working families and working mothers, especially single parents, who really need help in this program. That is one of the way that we are going to have to really look at how we change this program, because the families that we are serving have changed over the last years, and we have to address that.

[The prepared statement of Ms. Dieppa can be found in the appendix on page 118.]

The CHAIRMAN. Now we move to Mr. Dean Leavitt, Chairman and CEO of U.S. Wireless Data.

Mr. Bost, I wanted you to stay and listen to this, because one thing caught my attention which had to do with farmers markets and what has happened with the drop-off in participation by food stamp programs participants markets. Mr. Leavitt is here at my request to testify about that.

We welcome you to the committee, Mr. Leavitt.

STATEMENT OF DEAN M. LEAVITT, CHAIRMAN AND CEO, U.S. WIRELESS DATA, INCORPORATED, NEW YORK, NEW YORK

Mr. LEAVITT. Thank you. Good morning, Mr. Chairman, members of the committee.

As the chairman indicated, my name is Dean Leavitt, and I am Chairman and CEO of U.S. Wireless Data, a New York City-based company specializing in the processing of wireless payment transactions.

I thank you for the opportunity to discuss the benefits of a new technology my company has developed which provides farmers with the ability to wirelessly accept EBT or food stamp cards, credit cards, and other forms of plastic payment instruments at farmers markets located throughout the United States.

As you are well aware, the Food Stamp Fraud Reduction Act of 1993, as proposed by Senator Leahy of Vermont, mandated the migration of the food stamp entitlement program from what had historically been a paper coupon-based system to one that would utilize electronic benefit transfer or EBT technology. As part of the implementation of that Act, grocery store owners were provided with electronic point-of-sale systems which would allow them to accept the newly issued EBT cards to program beneficiaries.

The point-of-sale equipment was provided to the store owners at no cost to them. In addition, in most cases, the costs associated with the phone line required for the authorization of such electronic transactions was also provided at no cost to the store owner.

The cost of the point-of-sale equipment was approximately $500. The cost of the phone lines, depending on the geographical area,

ranged from approximately $50 to $200 for the initial installation of the line and from approximately $10 to $50 per month for basic services.

Now we have a problem. By all measure, the implementation of the Act has been a tremendous success in terms of both the reduction in food stamp-related fraud as well as the convenience and efficiency the system offers the program beneficiaries and store owners.

However, one of the unintended consequences of the Act is that the farmers markets, once a source of well-priced fresh fruit and vegetables for food stamp beneficiaries, were by virtue of this implementation immediately foreclosed out of EBT card acceptance due to the unavailability of electrical outlets and telephone lines for electronic point-of-sale systems.

As such, over the seven or so years since the implementation of the Act, there has been a dramatic fall-off in the visitation of farmers markets by EBT program beneficiaries for the purposes of purchasing fresh fruit and vegetables. Instead, program beneficiaries have had little choice but to either purchase their produce at commercial supermarkets and grocery stores or to cut back on such purchases completely.

Starting in September of last year, U.S. Wireless Data has been working closely with the USDA and the State of New York in a rollout of a wireless transaction processing solution for farmers participating in the farmers market program in the New York metropolitan area.

The initial pilot program, which extended from early September to December, included approximately 45 farmers in the New York City area. Under the pilot program, farmers were provided with wireless devices housing U.S. Wireless Data's proprietary software that wirelessly submitted transactional data to U.S. Wireless Data's host facility. Those transactions were then switched out to the appropriate authorization facilities that either would approve or decline the transaction. This takes approximately 5 to 7 seconds, the entire transaction. If the transaction is approved, the terminal prints out a receipt which is then handed to the EBT card user for their records. As with the landline-based EBT program, the funds are then directly deposited into the farmer's account.

In addition to EBT cards, the point-of-sale terminals were also programmed to accept commercial credit cards such as MasterCard, VISA, American Express, Discover, Diners, as well as debit cards, otherwise known as ATM or 24-hour cards.

The program ended in December with the end of New York's farming season. Incidentally, this device here is the actual handheld device that we are using for that program. It is a wireless unit; it is battery-powered; it prints out a receipt after the transaction is completed. Also, while this particular one is set up for magnetic card stripe reading, it can also be enabled for SmartCards, which I understand is utilized in many States for the WIC program. It is a fairly versatile device, and it is working quite well.

As the pilot program was a success, starting in June of this year, U.S. Wireless Data, again in concert with USDA and New York State, started an actual commercial rollout of the program. As of

this date, two farmers are participating in the program, which by all counts is running without incident.

In conclusion, we believe that offering wireless EBT card acceptance to farmers participating in the farmers market program not only offers EBT beneficiaries the opportunity to expand their choices and return back to their favorite venues for the purchase of well-priced fresh fruit and vegetables, but it also levels the playing field between the larger supermarkets and grocery stores who have had the benefit of EBT card acceptance for seven years now and those farmers who have been unable to realize an important component of their revenue stream that they enjoyed prior to the implementation of the Act.

We at U.S. Wireless Data wish to commend Congress and the Department of Agriculture for realizing the importance of both the EBT and farmers market programs and the need to make such programs available to the widest possible audience.

To that end, Mr. Chairman, my staff and I are eager to work with you, your committee, and the USDA in a concerted effort to find a way to roll out a nationwide wireless EBT card acceptance program. I am confident that we at U.S. Wireless Data are well-positioned to continue its role as both the provider of the required state-of-the-art technology and the implementor of the EBT wireless program to the farmers.

I thank you again for this opportunity.

The CHAIRMAN. Thank you, Mr. Leavitt, for bringing this to our attention and for your testimony. I will have a couple of followup questions.

[The prepared statement of Mr. Leavitt can be found in the appendix on page 120.]

The CHAIRMAN. Now we turn to Dr. Deborah Frank, Director of the Growth and Development Clinic in Boston, Massachusetts.

Dr. Frank, welcome to the committee.

STATEMENT OF DR. DEBORAH A. FRANK, DIRECTOR, GROWTH AND DEVELOPMENT CLINIC, BOSTON, MASSACHUSETTS

Dr. FRANK. Thank you.

I am honored to come before you representing the pediatric researchers of the Children's Sentinel Nutrition Assessment Project, which we call CSNAP, and pediatric clinicians like myself, who daily treat malnourished American children.

I specifically want to dedicate my testimony to the 19 children whom I saw last night in evening clinic, mainly of working parents, who are being doctored for malnutrition. It is for those children that I speak who are too young to speak for themselves.

With major funding from the Kellogg Foundation over three years, CSNAP monitored the impact of current public policies and economic conditions on the nutrition and health status of low-income children younger than 3—very little children—in Baltimore, Boston, Little Rock, Los Angeles, Minneapolis, and Washington, DC.

If you could join us on the wards and in the clinics and sit in on our scientific meetings, I do not think it would be difficult to reframe the discussion about the costs of increasing the availability of food stamps to the costs of not increasing the availability of food

stamps in the terms of the health and work and learning potential of America's people, particularly America's children.

As Ms. Dieppa said, there is not only anecdotal but hard medical data that food stamps make a dramatic difference in the food security of families with children, and there is even clearer and a daily growing body of medical evidence that food security is essential for health.

The stories of the families that we care for daily confront us with the stark reality, not found in any medical textbook, that if the cost of housing and energy prices increase disproportionate to the levels of wages and benefits, many working poor and low-income parents have an insurmountable balancing act trying to find resources to pay rent, have gas to get to work, and still be able to put enough food on the table to keep their children healthy and learning.

As community health providers, we also find ourselves spending incredible amounts of time trying to help families fill out Food Stamp Program applications, which are longer and harder to understand than the one I fill out each year for my medical license.

You have well-documented the national and State-based rates of food insecurity, but they do not tell the whole story. For example, in Minnesota, the prevalence of food-insecure households is 10 percent of the State population, but for young children under 3 in poor families coming to medical settings, it is 24 percent.

Hunger threatens the well-being of our next generation beginning in the womb. The nutritional status of a woman as she enters pregnancy and the amount of weight she gains during pregnancy are critical predictors of birth weight, which in turn is the most important predictor of a child's survival, and for surviving children, whether they will suffer from lasting impairments and school failures.

We also need to think in terms of "QC"—a new word I learned today—of dietary quality as well as dietary quantity. For example, it has been shown that food-insecure women have diets that are deficient in folate. This is pretty scary, since there is a well-established connection between women's diets being deficient in folate and their children suffering from spina bifida.

It is not just the quantity of food and whether people gain weight, but the quality of food that influences their health.

After birth, nutrition continues to exert major influences on health and development. Any sick child loses weight; however, in a privileged home, once the illness is resolved, children can eat extra and get themselves back to normal growth and health. For a low-income family, particular, for example, one that last month had a good income, as Ms. Dieppa was describing, and this month has less income, but their food stamp benefits are set to last month's income, food supplies can be uncertain even for feeding well children. Once a nutritional deficit has occurred for a normal childhood illness, there is no additional food to restore the child to health. The child is left malnourished and more susceptible to the next infection, which is more prolonged and severe. It is this infection-malnutrition cycle which, in the developing world, kills children and in our country leads to preventable recurrent illnesses and costly utilization of health care resources.

In fact, we have found that food-insecure children under 3 are twice as likely to require hospitalization. I would point out that two days of hospitalization costs the Federal Government much more than a year's worth of food stamps.

Even with refeeding and medical care, malnutrition can inflict concurrent and lasting deficits in cognitive development, posing serious implications for the malnourished child's future ability to participate in the knowledge economy. This happens long before I see a change in body size, because the first thing a child who is not getting enough to eat does is be less active, less alert, and less interested. By the time that strategy has failed is when you actually see a child coming in underweight.

My neighbor, a 5th grade teacher for new Americans, was worried about a hungry little girl in her class, and what she described to me is classic. She said: "She is sick a lot, but she tries to come to school, and some days, it is just like she is not there. Her skin is dull, there is no spark in her eyes; she wants so much to please, but some days, she can remember and learn, and the next day, she cannot."

Well, if you can imagine sitting through one of these hearings not having had breakfast or lunch, you can perhaps see why that child cannot learn.

There is a recent article in Pediatrics by Dr. Allemo that found that children who were food-insufficient had lower arithmetic scores and were more likely to repeat a grade; food-insufficient teenagers are three times more likely to be suspended from school.

No amount of standardized testing will alleviate the impact of hunger on children's ability to learn. To educate children, you first must feed them, and you must feed them from conception through high school.

In our study of 8,000 children under 3, we found that those whose food stamp benefits were terminated or decreased are not only more food-insecure, but food-insecure children are more likely to be in poor health, anemic, and require increased hospitalizations.

I have been told that the Kennedy-Specter bill would restore food stamps to legal immigrant families, provide outreach to let people know they are eligible, and increase the minimum monthly benefit, which I agree is crucial. These are measures which in medical terms, I would call STAT, which means urgent.

I have also been told that some people think it is a good idea to no longer offer shelter cost deductions. In southern Maine or in Boston, this would be a disaster, and if the pediatric house staff suggested it to me, I would tell them that I thought the idea was "NSG"—not so good.

Distinguished members of the committee, I am here today to urge you to prescribe a miracle drug for America's families. This miracle drug decreases premature births, enhances immune function, improves school achievement and behavior, and saves millions of dollars in hospital stays and visits to emergency rooms each year. Yet millions of American children and their families are deprived of this drug, and those who get it often get it in doses inadequate to protect their health.

This miracle drug is enough nutritious food. The pharmacy that dispenses it is the Food Stamp Program, and you are the physicians who prescribe it.

Thank you.

The CHAIRMAN. Thank you, Dr. Frank, very much.

[The prepared statement of Dr. Frank can be found in the appendix on page 123.]

The CHAIRMAN. We now turn to Dr. Cutberto Garza, a professor at Cornell University.

Dr. Garza, please.

STATEMENT OF DR. CUTBERTO GARZA, PROFESSOR, DIVISION OF NUTRITIONAL SCIENCES, CORNELL UNIVERSITY, ITHACA, NEW YORK

Dr. GARZA. Thank you, Chairman Harkin, Senator Lugar, for the opportunity to speak here today.

I have had the opportunity over a rather short period of time to chair various international and domestic efforts. The compelling message that I have received in all of these activities is consistent with the message that Dr. Frank just gave you, and that is that we expect more from our food supply than just the absence of disease. The many diseases that you and Senator Lugar alluded to are terribly important in terms of prevention, but the public now expects that our food supply also achieves a state of well-being that takes us beyond disease to optimal productivity, whether it be in the classroom or on the job site.

These aspirations should not surprise us. Public expectations related to the food supply have increased steadily in the last 100 years, and I expect that they will continue to increase further.

Fortunately, these expectations are not misplaced. Our limited but expanding understanding that what we eat can promote optimal development and protects us against predispositions to diet-related diseases supports the public's expectations. These expectations are also supported by our increasing abilities to manipulate the composition of our food supply.

Thus, the significant domestic and international interest in nutrition, health, food and agriculture, and our expanding scientific capabilities place us in an extraordinarily privileged position. We should maximize these undisputed advantages in these areas by first strengthening USDA's programs that sponsor peer-reviewed research, second, improve our nutrition survey capabilities, because in fact they help design our programs; and third, assure that both domestically and internationally, our programs related to food and nutrition reflect both the best scientific understanding and are of a breadth and scope that match our achievements.

Thus, we have to be concerned with both how and what in food stamps and other programs deliver.

Unfortunately, however, neither the country's nor the world's nutritional health reflects the public interest in diet and health or the growing scientific understanding of the role of diet in genetic regulation.

Time permits that I review only two examples of my concerns. The first relates to the need for more cohesive approaches for pre-

venting childhood obesity, and the second to strengthening approaches for tackling childhood malnutrition internationally.

In the interest of trying to save the committee time, I am not going to review the statistics in my statement related to childhood obesity. The trends, alone are sufficient to alert us to the serious short- and longer-term health problems exemplified by the growing number of children with Type 2 diabetes, alluded to by Chairman Harkin and Senator Lugar earlier, a condition that also is known as adult-onset diabetes because it was exceedingly rare in children.

Now the American Diabetes Association warns us that Type 2 diabetes is commonly a disease of childhood onset. Obese children are also at risk of heart, skeletal, and other abnormalities. Thus, we have to be concerned of problems at both ends of the spectrum—the spectrum Dr. Frank so eloquently alluded to, and also, in terms of obesity.

All the reasons for the alarming trends are not clear, whether we look domestically or internationally. With little doubt, nutritional, social, behavioral, cultural, environmental, and other biological factors conspire to produce a positive imbalance between energy intake and expenditure in ways that are understood incompletely. More worrisome still is that unwanted weight gain is extremely difficult to reverse. Thus, prevention is key. A comprehensive and systematic assessment of the biologic and environmental factors that are responsible for these trends and the development of a cohesive strategy to prevent childhood obesity are needed to bind the numerous public and private efforts striving to cope with the status quo and reduce the prevalence of overweight and obesity.

Thus, we should look very carefully at how we structure various food assistance programs aiming to maximize the implementation of the dietary guidelines in WIC to support international and national recommendations for breast feeding, and that we link food stamps with health systems in the way suggested by Mr. Greenstein earlier today. I should add that 10 years ago, I had the privilege of chairing a group at the National Academy of Sciences trying to promote this and could find little interest within the Federal Government. Thus I was heartened by the reception that his suggestion received this morning.

In an analogous manner, the causes of malnutrition are also complex. I am going to focus primarily on international issues because Dr. Frank dealt so comprehensively with our domestic problems.

A comprehensive strategy also is needed to tackle international malnutrition, and it is my view that leadership should come from the United States. The number of malnourished children in the world remains intolerably high, in part because we lack a sufficiently bold vision to minimize it. Elimination of malnutrition as a public health problem within a defined time period should be a goal for us, domestically and internationally.

We know the recipe for making healthy children, and good nutrition is a key ingredient, but not a magic bullet. I am concerned that the overdue recognition of micronutrient deficiencies internationally is creating the illusion that supplying a few micronutrients will solve the problems that we face. Although tackling micronutrient deficiencies is an obviously important start, it will not be

sufficient. Fortunately, current knowledge permits us to act more comprehensively. The "food for education" bill sponsored by Senators Harkin, Lugar and others in my view is an example of an effort that is responsive to humanitarian needs while reaching simultaneously for worthwhile educational and biological outcomes.

As proposals of this type are explored, critiqued, and I hope championed more broadly, partnerships should be encouraged that link them to programs tackling malnutrition in other critical life stages. Thus, a program meeting food needs during key developmental periods in school-age children, such as the proposed international school feeding program, can strive to deal not only with hunger and tackle micronutrient deficiencies, but also improve the education of young women, enhance learning, and in the longer term, establish self-sustaining, health-promoting behaviors associated with improved educational achievement.

In summary, we have some remarkable opportunities. The success of our agricultural system permits us to look beyond survival to diet quality and beyond to well-achieving being at every life stage.

Thank you for the time to share my views with you.

[The prepared statement of Dr. Garza can be found in the appendix on page 131.]

The CHAIRMAN. Thank you very much, Dr. Garza.

I thank you all for your testimony.

Dr. Garza, I will start with you. One thing that I am consideraing is what we might be able to do on this committee in the nutrition portion of our title to address the increasing amount of childhood obesity—you left the figure out, but it has almost doubled in the last 20 years. I have been told by pediatricians and health officials at the NIH and at the Centers for Disease Control and Prevention in Atlanta that it is approaching a national epidemic, the onset of childhood obesity. That is coupled with the lowering of the age of onset of Type 2 diabetes, which is closely correlated with weight.

We are looking at how we can start to address that. Now, you said something very interesting in your testimony. You said—let me find it——

Dr. GARZA. I suspect you are referring to food insecurity being a link——

The CHAIRMAN. Oh, yes—here it is. "Although incompletely understood, food insecurity—that is, the lack of confidence that food will be accessible consistently—appears to increase the risk of overweight and obesity."

I do not understand that sentence.

Dr. GARZA. It may seem paradoxical to some that we can speak about hunger and food insecurity in this country and still see the alarming rates of obesity that we see, especially in low-income populations. However, as these issues have been researched, it is becoming increasingly clear that food insecurity, paradoxically, predisposes individuals to obesity in ways that we do not completely understand. We are not certain if the link is with the quality of the diet being incompatible with maintaining a healthy weight, or whether the link is due to overeating when food is available because of the concern that food will not be available in the following

weeks. It may be a combination of these and other issues that we do not understand.

Additionally, it may have to do with a very serious problem faced by many individuals who are food-insecure: many live in neighborhoods that are unsafe, and thus physical activity is often curtailed. Thus, there is a need for us to look comprehensively at what the causes of what is rightly being called an epidemic and a very alarming one.

The solution probably lies not only in improved nutrition but in linking what food policy to physical activity, to how we plan our neighborhoods, how we adjust——

The CHAIRMAN. How about nutrition education as a bigger part of our nutrition programs?

Dr. GARZA. Exactly. Education will be important. The environment in which individuals will function will be equally important. Paying attention to both should be of extreme concern to the committee.

The CHAIRMAN. Let me ask you this. What do you think about the prospect of broadening the Food Stamp Program so that food stamp recipients could purchase with their food stamps vitamin and mineral supplements?

Dr. GARZA. I am not confident about that option. I do think that however, implementing the Food Stamp and other nutrition related programs that are sponsored by the Federal Government in ways that would promote of the U.S. dietary guidelines, may be a much more efficacious approach to dealing with the problem of obesity.

The dieting guidelines—provide 10 very clear goals or steps that if followed could help get the obesity epidemic under control.

In some instance, yes, micronutrient supplementation of the type that you refer to may be of importance, but micronutrient deficiencies, at least in this country, are not a major problem, at least from a public health perspective.

The CHAIRMAN. It has always seemed incongruous to me that you can use food stamps to buy twinkies, but you cannot use them to buy vitamins. A lot of low-income people may not have a good vitamin and mineral intake, which they might be able to get if they could do this.

Do you have an observation on that, Dr. Garza?

Dr. GARZA. Yes, but the cost of a twinkie per calorie is much less than the cost of any fruit or vegetable that I am aware of. If you are trying to stretch your food dollar, and you are interested in having enough food, the calorie cost of a twinkie is much, much less than the cost of a more highly nutritious food. That is the strategy people are using. If you have to make ends meet, your first goal is to meet your calories.

The CHAIRMAN. If people are obese, they do not need more calorie needs.

Dr. GARZA. No, but remember that I also said that in fact——

The CHAIRMAN. They need protein and some other things maybe.

Dr. Frank, did you have an observation?

Dr. FRANK. Yes. Where I live, one bottle of baby vitamins costs $8. People get 80 cents per meal per person maximum on food stamp benefits nationally. If the food stamp benefits did not

change, and they bought that one bottle of vitamins, that would mean that child would not get 10 meals.

I agree with Dr. Garza—and I know this is probably politically not doable—but it seems to me that if food stamps cannot now be spent on dog food, if they could also not be spent on soda and a few other things of low nutrient density and high obesity promotion, that would be helpful. I would recommend more that vitamins be prescribable and reimbursed on all State-funded health programs, but not to take away 10 meals to buy that bottle of vitamins, because what you gain on the swings, you are going to lose on the roundabout.

Dr. GARZA. I would agree with Dr. Frank.

The CHAIRMAN. Ms. Dieppa, tell me about your situation. You use food stamps, and you are working, and I congratulate you for that. Do you take vitamin and mineral supplements or anything like that?

Ms. DIEPPA. Yes, I do.

The CHAIRMAN. You do. You cannot get them with food stamps, can you?

Ms. DIEPPA. No.

The CHAIRMAN. How about your daughter?

Ms. DIEPPA. She takes children's Centrum vitamins once a day, and I take the same for adults.

The CHAIRMAN. I see. This is an interesting question, and we are going to pursue it even more.

Do you have any views on this, Mr. Concannon?

Mr. CONCANNON. Just reflecting on it, it is one of the initiatives—because we have this challenge in our State, too; we see it in the population. We have a current public health initiative trying to work with school systems, because pediatricians speak to us about food habits being influenced by the school lunch program, and kids going through the line in the school lunch program and not going to the broccoli line but to the side of the school lunch program that has French fries and a bunch of other things that may contribute to some of these problems.

We have been more focused on that than on the access to vitamins per se. We have a lot of issues with the pharmaceutical industry, but I will not go there today.

The CHAIRMAN. Well, I have some observations on the school lunch program. It seems to me that we have tried to make the school lunch program into something that is so acceptable to young people that we have basically turned it into a fast food operation. They say that that is what kids want to eat—well, yes—if you hold out some broccoli and a candybar, give me a break, I know which they are going to pick. It seems to me that we have a higher obligation in our feeding program. That is also why I am so interested in the school breakfast program.

I do not want to take any more time except to ask Mr. Leavitt—on the food stamp program and the farmer's markets, you pointed out that when we converted to EBT, the Federal Government actually paid for the installation of these systems in grocery stores?

Mr. LEAVITT. Yes, sir.

The CHAIRMAN. Both the hardware and the connecting lines?

Mr. LEAVITT. Yes.

The CHAIRMAN. Do you have any idea how much that cost us?

[No response.]

The CHAIRMAN. Mr. Bost, I am going to ask you if you could provide for the committee—I would just like to know, how much did it cost us to wire up all the grocery stores in America for the EBT cards? I was unaware until you brought this to my attention today that we had actually paid for that; I did not know that we had paid for the installation of the EBT machines in grocery stores.

Mr. BOST. Mr. Chairman, let us get those numbers, but we know that to go to an EBT system, it is shared; it is a 50–50 cost. The State puts out 50 percent, and the Federal Government pays the other 50 percent.

The CHAIRMAN. Oh, I see.

Mr. BOST.I do not know what the total cost is.

The CHAIRMAN. I see; so it is a State-Federal share.

Mr. BOST. That is correct.

The CHAIRMAN. I see.

Mr. BOST.I do not know what the total cost is.

The CHAIRMAN. I do not, either. If you could find some records on that, I would sure appreciate it.

Mr. BOST. Yes, we will.

The CHAIRMAN. As a participant in farmers markets myself—I was at one last Saturday—and you are right. They do not have the facilities there to run debit cards and EBT cards and so on. I am very intrigued by your proposal, Mr. Leavitt. It is something that we should take a close look at here.

Mr. LEAVITT. Thank you. Mr. Chairman, if I could also just comment on the other discussion that took place a moment ago.

The CHAIRMAN. Yes.

Mr. LEAVITT. If, as, and when there is some movement toward the monitoring of what is purchased or what is allowed to be purchased and what is not allowed to be purchased, one thing we have to make sure we keep an eye on is the ability to monitor. With the kinds of technological advancements we are having in both the wireless arena as well as the wired arena, those monitoring capabilities are also getting more and more enhanced so that you can keep records of what each EBT card is being used to acquire at the grocery store, the supermarket, or at an open air farmers market.

To look at a goal of ultimately being able to take a look at that, we cannot forget about the technological requirements that may be needed to see what in fact is being purchased.

The CHAIRMAN. That is a very good point. Thank you very much.

Senator Lugar.

Senator LUGAR. Let me just say that the questions that you have raised, Mr. Chairman, are ones that both of us are interested in.

These are age-old problems. First of all, with the electronic benefits situation, this came about because we had testify before this committee year after year of enormous fraud and abuse; and, even worse than that, food stamp coupons being used as currency in Cook County, Illinois, for example, where people described drug transactions and discounting and soon. This is a monumental problem, and obviously, the Federal and State governments cooperated to try to bring some integrity to the program, because the political opposition to using the Food Stamp Program for drug abuse and so

on gets to be very considerable. It is an unfair fight, and people want that cut out.

We have probably alleviated enormous political hassles and perhaps redirected the situation given the benefit of electronics.

The point that you make, Mr. Leavitt, is one that gets to current issues. We had a school lunch hearing this year, and the chairman pointed out, as did others, that school authorities frequently sign contracts with soft drink companies, and they want the machines going all day. The school lunch authorities are aghast at this because people are imbibing this stuff all day—it may be calories, but it is not nutritious. We have cross-purposes, with the superintendent saying "We need this money" for whatever—extracurricular activities or whatever—and it is a free country, with local control of education, local school board—who are you folks to be reviewing how we are administering our schools?

We are trying to review the school lunch program, but they are saying "After all, we are still running the schools." We go back and forth on this. Now, a little bit of that is in your testimony today, which is very important, and that is that if our Federal objective as a people is the best nutrition, and we are going to help pay for it, we would like to get our money's worth, so we would like people to buy things that are in fact healthy.

The question is always a value judgment—who determines what is healthy; what is the freedom of choice for the consumer—and those are age-old dilemmas, I suppose, in our Republic, but they are very important.

What you are saying, Mr. Leavitt, is important, and that is that unlike other times, given electronic means, we can monitor what happens. We can punch in whether it is an apple or a soft drink, and one has a "go" sign and the other has a "stop" sign, I suppose—if we want to do this. This is a very important question, and our distinguished final witnesses, Dr. Frank and Dr. Garza, raised it in very subtle ways, but also fairly directly in terms of what is happening.

The chairman has asked about juvenile obesity. These are very sophisticated problems involving environment as well as nutrition. There has to be the ability to make choices—who determines the healthy food, who monitors whether it is the "go" sign or a "stop" sign if we were to move in those directions?

I appreciate your testimony today as very informed, expert observers.

Thank you, Mr. Chairman, for the hearing.

The CHAIRMAN. Thank you, Senator Lugar, for your observations.

This is a complex issue but one that we have to tackle and one that we have to move ahead on. There are many facets to it.

We appreciate all of you being here, and thank you for your testimony and for your input.

The Agriculture Committee will stand adjourned until 9 a.m. Tuesday, when we will continue hearings on the Farm bill. On Tuesday, we will hear from those involved in animal agriculture, our livestock producers.

Thank you very much.

[Whereupon, at 12:52 p.m., the committee was adjourned.]

APPENDIX

JULY 19, 2001

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FOR IMMEDIATE RELEASE
July 19, 2001

Contact: Tricia Enright/ Seth Boffeli

STATEMENT OF U.S. SENATOR TOM HARKIN (D-IA) COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY HEARING ON NUTRITION ISSUES FOR THE NEXT FARM BILL

"Good morning. I want to welcome my colleagues as well as our distinguished panelists who have come to testify before the Agriculture, Nutrition, and Forestry Committee this morning. Our committee has a tradition of working in a bipartisan manner to address nutrition and hunger issues. I particularly want to mention the close working relationship I have had on these matters over a number of years with my friend and Ranking Member, Senator Lugar, and with former Chairman Senator Leahy.

"Today, we will be focusing on nutrition, food security, and health, as well as on our nation's nutrition safety net. While the farm bill places an emphasis on farmers and rural America, it is really about ALL Americans. The nutrition title is a critical part of the bill.

"We are fortunate in America to have the safest and most abundant food supply in the world. But, we still have a great deal of work to do. While hunger has been reduced in the last 30 years, food insecurity rates are still too high. Approximately 10 percent of U.S. households, many with children, face the possibility that they will not have enough of the amounts and kinds of foods they need to stay healthy at some point in a month's time.

"Our crucial responsibility is to make sure that our nation's nutrition and food security programs are maintained and strengthened. So it is unacceptable that between 1994 and 1998, the percent of eligible people who participated in the Food Stamp program fell from 71 percent to 59 percent – a drop of 12 percentage points. Now, contrary to some of the stereotypes about food stamp recipients, over half of them are children, 9 percent are elderly and 9 percent are persons with disabilities. Most of the rest are adults who work for a living.

"We also need to be sure that our nation's food pantries and soup kitchens are able to help people in need – but not as a substitute for the Food Stamp program. And we need to continue to support other commodity programs, such as the Commodity Supplemental Food Program and the Nutrition Program for the Elderly. These programs deliver food to people who would otherwise go hungry and help to support markets for the products of American farmers.

"We also must keep in mind the strong connection between nutrition and health. We know that dietary factors play a large role in the risk of heart disease, cancers, stroke, and diabetes – which account for about two-thirds of deaths in the U.S. each year. I have also been alarmed by the high rates of obesity among children and adults, and the resulting rise in the prevalence of "adult diseases," such as diabetes, among children. Total costs, including medical cost and lost productivity, attributable to obesity alone amounted to an estimated $99 billion in 1995.

"A 1988 report, by the U.S. Surgeon General noted that: "For the two out of three adult Americans who do not smoke and do not drink excessively, one personal choice seems to influence long-term health prospects more than any other—what we eat." Simply put, poor nutrition and dietary habits are sending far too many Americans to an early grave. It is critically important that our federal nutrition programs do all they can to encourage healthier eating habits and lifestyles.

"We should also expand our efforts to fight hunger and improve nutrition overseas. Specifically, I hope we will soon pass the McGovern-Dole legislation to create an international school nutrition program for developing countries. This is bipartisan and bicameral legislation that deserves our strong support and early action.

"I look forward to hearing from our panelists concerning ways in which we can maintain a strong safety net that ensures food security and sound nutrition for all Americans."

Opening Statement of the
Honorable Richard G. Lugar
Senate Agriculture Committee
Hearing on Nutrition Issues
Thursday, July 19, 2001

Thank you, Mr. Chairman. This Committee has a long tradition of bipartisan support for meeting the needs of children and families who face hunger and food insecurity. I look forward to continuing our thoughtful and productive partnership as we take up the Nutrition Title of the Farm Bill and reauthorization of the Food Stamp Program. Today's hearing provides an opportunity to gather recommendations for strengthening this program – which is the foundation of the nation's nutritional safety net.

I am a longtime advocate for placing high priority not only on an effective Food Stamp Program but on the entire package of nutrition assistance programs. During the discussion of welfare reform in 1996, I took a firm stand to preserve a strong nutritional safety net. This meant retaining the Food Stamp Program as a national entitlement program and making sure the school meals programs did not become block grants.

For children, a healthy diet is essential to sound physical development and school performance – both pre-requisites to becoming productive adults. Sufficient food and healthy eating habits offer a direct way to reduce the incidence of serious diseases such as diabetes and hypertension.

Despite our commitment to federal nutrition assistance, there is a need to periodically review how well the associated programs are meeting their goals and to consider what changes might work better. For example, I supported actively a provision included in the Consolidated Appropriation Act of 2001 to pilot test some administrative changes in the Summer Food Service Program. While this program is intended to provide meals to low-income children during their summer vacation, a majority of those who qualify for free and reduced price meals during the school year are not participating. It has been a challenge to recruit summer food service providers given the burden of the program's cost accounting procedures. Our 14 state pilot program, which includes my home state of Indiana, is testing the trade-offs of eliminating some of these requirements and streamlining others.

The upcoming Farm Bill provides the occasion for looking more closely and systematically at the Food Stamp Program. We know food stamp caseloads have declined as a result of an improved economy, welfare reform initiatives, and a lower participation rate among eligible persons.

Even more dramatic changes have occurred in the cash welfare program, Temporary Assistance for Needy Families, or TANF. These changes in the cash welfare caseload have implications for the Food Stamp Program. According to USDA statistics, among food stamp households with children, the proportion of households with earnings jumped substantially between 1994 and 1999.

Not only is the profile of food stamp families shifting, but the Program participation rate is changing as well. Between 1994 and 1999, the proportion of eligible individuals who received benefits went down from a little over 70 to less than 60 percent.

Two contributing factors are routinely identified. One is the complexity of Program rules which imposes a burden on food stamp applicants and recipients, as well as challenges for eligibility workers who must apply these rules. The second factor is the quality control system used to assess program performance. This system focuses solely on benefit payment error which means states may emphasize payment accuracy over recipient service.

There are, however, some fundamental principles that I will apply in evaluating reauthorization proposals. Specifically, I will consider how well each recommendation:

- maintains the Program's role to provide a national nutrition safety net;
- increases program simplification and flexibility in a way that benefits needy families;
- enhances program administration; and
- reflects the keen competition for resources and need for prudent use of federal funds.

I am especially interested to learn from today's witnesses how their ideas will support these principles. Thank you, Mr. Chairman, for holding this important hearing.

Opening Statement
Senator Debbie Stabenow
July 19, 2001
Senate Committee on Agriculture, Nutrition, and Forestry

Mr. Chairman and Senator Lugar, thank you for convening today's hearing so that we may hear Farm Bill testimony on a the critically important nutrition title of the Farm Bill. As I stated earlier this year at the annual American School Food Service Association conference, I believe that nutrition programs are one of the most important missions of the Senate Agriculture Committee, that is why I specifically requested to serve on the nutrition subcommittee.

Farm bill debate typically includes a discussion of food stamps and the commodity donation programs including TEFAP and CSFP. I understand we have a range of witnesses today who will testify on the importance of these programs.

The demographics of the type of person who uses food stamps has changed dramatically over the last few years. The typical beneficiary is no longer an unemployed individual, but is a member of a working household. In many cases, food stamps have become an important supplement to help keep food on the table for families in low wage jobs. It is imperative that these families continue to receive this help and I understand there are several key issues that this committee must address as we examine food stamp concerns in the next Farm Bill. I know that there are many administrative barriers that, if streamlined, could make it easier for qualifying families to get food stamps. Additionally, I know we will hear testimony from experts such as Robert Greenstein of the Center For Budget Policies and Priorities, who will explain how other reforms can be implemented to improve the administration of the program and increase access to the benefit.

Commodity donation programs serve two important purposes. First and foremost, they help stock our nation's foodbanks and make food available for those in need. Secondly, they help remove surplus agricultural commodities from the market. Farmers in my state, particularly apple and cherry growers, have benefited from substantial commodity purchases in the past and I am working on helping to secure a purchase for their products and for asparagus to help eliminate the surpluses we are facing again this year.

Michigan has the largest CSFP program in the country with a caseload of 90,000 clients per month. The largest distributor, Focus Hope, in Detroit, handles nearly half of that caseload, by serving 46,000 clients per month. We have many other important social service programs and community action agencies in the state that distribute the remainder the state's CSFP caseload and who also provide TEFAP commodities. I have heard from Focus Hope and from other commodity distribution programs that administrative costs continue to rise. Administrative costs for these programs are typically high and are actually an important part of the benefit because they include storage and transportation costs to help deliver food to the beneficiaries. I know that for the past several years we have appropriated additional dollars for CSFP to cover administrative costs, but I am

interested in exploring ways that we can address this issue in the Farm Bill, rather than doing quick fixes on a yearly basis.

Additionally, I am hearing from commodity distribution programs in my state that an increasing number of their clients are senior citizens. Currently, the eligibility requirement for seniors to obtain CSFP commodities is different than the requirements for women, infants and children. Women, infants, and children must meet income eligibility requirements established by the State (typically 185 percent of the Federal Poverty Income Guidelines), while elderly persons must have income at or below 130 percent of the Federal Poverty Income Guidelines (currently $14,625 for a family of two). I believe this disparity should be corrected and am hopeful we can do so in the nutrition title.

I would like to welcome today's witnesses and I look forward to your testimony.

TESTIMONY OF ERIC M. BOST
UNDER SECRETARY FOR FOOD, NUTRITION, AND CONSUMER SERVICES
U.S. DEPARTMENT OF AGRICULTURE
BEFORE THE
COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY
U.S. SENATE
July 19, 2001

Mr. Chairman and Senator Lugar, it is a pleasure to see both of you again. I appreciate the opportunity to join you today to discuss the reauthorization of the Food Stamp Program – to build on its history of success to meet the demands of this new century.

Nearly four years ago, then-Governor George Bush appointed me Commissioner of the Texas Department of Human Services, one of the Nation's largest human services agencies. With an organization of more than 15,000 employees and an annual budget of $3.5 billion, I was responsible for administering State and Federal programs that served more than 2 million needy, aged, or disabled Texans each month. I took that position after more than twenty years of experience in managing human services agencies across the country.

When President Bush and Secretary Veneman asked me to join the team at the Department of Agriculture, I was extremely pleased to have the opportunity to put my experience at the State and local levels to work in managing and improving the Federal nutrition assistance programs. I particularly looked forward to representing the Administration in the process of reauthorizing the Food Stamp Program – the foundation of the Nation's nutrition safety net – as part of the Farm Bill. I believe that my knowledge

and experience prepare me well for this challenge. I look forward to working with this Committee as we develop a reauthorization approach that both preserves those aspects of the program that have served this country so well over the past decades, and makes the changes needed for the program to function even more effectively and efficiently into the future.

I would like to begin today with a brief review of the Food Stamp Program's current status, and then describe some of the changes in the program's performance and operational context that resulted from welfare reform, before outlining my thoughts about aspects of the program that could be improved during reauthorization.

A History of Success

In my view, the Food Stamp Program stands as a testament to our country's compassion. For over 30 years, it has served as the first line of the nation's defense against hunger, a powerful tool to improve nutrition among low-income people. Any discussion of food stamp reauthorization must start with recognition of the strong evidence that the Food Stamp Program works to reduce hunger and improve nutrition in America.

It touches the lives of millions of people who need a helping hand to put food on the table. Unlike most other assistance programs, the Food Stamp Program is available to nearly anyone with little income and few resources, serving low-income families and individuals wherever they live with food-based benefits that increase a household's food

expenditures, and its access to nutritious food.

Because food stamps are not targeted or restricted by age, disability status, or family structure, recipients are a diverse group, representing a broad cross-section of the nation's poor. In 2000, over half of all food stamp recipients (54 percent) were children, 10 percent were elderly, and another 10 percent were disabled. Many recipients worked, and the majority of food stamp households were not on Temporary Assistance for Needy Families (TANF). However, most food stamp households had little income and few resources available to them. Only 11 percent were above the poverty line, while 33 percent had incomes at or below half the poverty line. About two-thirds of all households had no countable assets. The program is clearly successful at targeting benefits to the neediest Americans.

The Program responds to economic changes, expanding to meet increased need when the economy is in recession and contracting when the economy is growing, making sure that food gets to people who need it. Because benefits automatically flow into communities, States, or regions of the country that face rising unemployment or poverty, the program tends to soften some of the harsher effects of an economic downturn.

However, over the last decade, food stamp participation rose more sharply than expected during the relatively short and mild recession in the early 1990s and then fell more sharply than expected after 1994 during the sustained period of economic growth. In April 2001, the program served about 17 million people, down from 28 million at its peak in March

1994. In recent months, the participation decline has slowed, and may have ended; over half of all States are now serving more people than they did a year ago. It is important to note that as participation has declined, program costs have also dropped considerably; annual costs have declined by over $7 billion since fiscal year 1995.

The program delivers billions of dollars in benefits with a high degree of integrity and accountability. The vast majority of program benefits go only to households that need them. In 2000, about 6.5 percent of program benefits were issued in excess of the correct amount; an additional 2.4 percent should have been issued to recipients but were not. The combined overall payment error rate of 8.9 percent represents the lowest rate of overall error in the program's history. We are doing well, but further improvement can be made.

In 2000, 98 percent of households that received food stamps were entitled to some benefit. Problems tend to occur far more frequently in cases where an eligible household is provided with the wrong amount of benefits. Difficulties in determining the correct level of benefits stem from a number of factors: the intricacy of program rules designed to target benefits precisely, the complex circumstances of working families, and the need to anticipate the circumstances of program participants.

When errors resulting in overpayments do occur, the Department works hard to recoup these funds from those who receive them. In partnership with the States, there are a variety of tools that support this effort, such as recoupment from active benefits, voluntary repayments, referrals to collection agencies and offsets of State and Federal payments. In

fiscal year 2000, $223.8 million was collected through these mechanisms. By far, the most successful tool is offset of Federal payments, currently accomplished in partnership with the Department of Treasury through the Treasury Offset Program. The Food and Nutrition Service has been a leader among Federal agencies in this effort.

The period since the program was last reauthorized has seen a revolution in the way that Food Stamp benefits are delivered. In 1996, Congress set a deadline to have all food stamp benefits delivered through Electronic Benefits Transfer, or EBT, by October 1, 2002. At that time, only about 15 percent of benefits were delivered electronically. Today, 80 percent of all benefits are delivered through EBT. Forty-three State agencies now operate EBT systems for the Food Stamp Program and forty-one are statewide. The Department is aggressively working with staff from the remaining State agencies to accomplish the goal of converting to electronic delivery.

I am pleased to inform Congress that interoperability—the ability to redeem EBT-based benefits across State lines—is a reality today among all but a few States. The remaining few States are either using smart card systems that are incompatible with on-line technology or are working to overcome the technical and contractual issues that must be in place before interoperability can occur. These issues are well understood by the States and the EBT industry. The Department strongly supports the efforts underway to address them.

One of the benefits of the move to electronic benefit delivery is that it provides new tools in the fight against food stamp trafficking; electronic transaction data are systematically analyzed and used to identify violations, and we continue to refine our use of the data. While the extent of trafficking food stamps for cash is estimated to be less than 4 cents of every dollar issued, we must continue to be vigilant and to improve our ability not just to redress trafficking and other kinds of fraud, but to ensure that only eligible stores participate in the program.

USDA focuses significant effort in this area. New stores are subject to an on-site visit to assure that the store meets the eligibility criteria for authorization. Owners and managers are provided orientation and training on the use of food stamp benefits for eligible foods. And, stores are subject to periodic revisits to assure that they continue to meet eligibility criteria. The Department measures its success in this area by annually visiting a random sample of participating stores and establishing a statistically-valid Store Eligibility and Accuracy Rate (SEAR). The most recent SEAR results, for fiscal year 2000, show our success: 98.5% of all participating stores were, in fact, eligible to participate.

Ensuring effective stewardship of the taxpayer investment in this program is one of the Department's most important responsibilities. I look forward to working hard in the coming months to develop proactive strategies to ensure that the Department prevents food stamp fraud and abuse before it occurs.

The Changing Environment Since Welfare Reform

As I have mentioned, much has changed since Congress last reauthorized the Food Stamp Program. Increasing food security, ending hunger, and improving nutrition among low-income families and individuals remain central to the program's mission. Yet the challenges facing the program today – and the pace of change in the world in which it operates – are substantial.

Welfare reform transformed social policy for low-income families, replacing an entitlement to cash assistance with a system that requires work in exchange for time-limited assistance. The 1996 welfare reform law (i.e. the Personal Responsibility and Work Opportunity Reconciliation Act of 1996) has been a great success in moving people from dependency to self-sufficiency. Between January 1996 and June 2000, the welfare caseload fell by over 50 percent – the largest welfare caseload decline in history and the lowest percentage of the population on welfare since 1965. And significant numbers of those have left welfare for work.

In important ways, States have been the leaders of this revolutionary effort and are responsible for its success. State governments made use of the flexibility provided in the 1996 law to develop innovative efforts to restructure their welfare programs to require work, time-limit assistance, improve child support enforcement, or encourage parental responsibility.

The Food Stamp Program has also contributed to the success of welfare reform by supporting the transition from welfare to work. The reasons are easy to understand—if you are worried about your family's next meal, it is hard to focus on your future. For many households, food stamps can mean the difference between living in poverty and moving beyond it. And for many, it has. Welfare rolls, and the proportion of food stamp households on welfare, have fallen sharply, while the percentage of food stamp households with earnings has grown. Today, the Food Stamp Program serves more families that work than families that receive welfare. Now, more than ever, the Food Stamp Program plays a critical role in easing the transition from welfare to work.

Food stamp participation has fallen dramatically. As I mentioned earlier, the Food Stamp Program served around 17 million people as of April 2001, nearly 11 million fewer than at its peak in March 1994. Part of the decline is explained by a strong economy, the success of welfare reform in moving people into jobs, and restrictions on legal immigrants and unemployed adults. But other factors may also be at work. The percentage of people eligible for food stamps who actually participated fell 11 points between 1994 and 1998. In 1998, about 59 percent of those eligible for benefits received them, roughly the same level seen in the late 1980's. Working poor families and elderly people continue to participate at rates well below the national average.

Concerns have grown that the program's administrative burden and complexity are hampering its performance in the post-welfare reform environment. There is growing

recognition that the complexity of program requirements – often the result of desires to target benefits more precisely – may cause error and deter participation among people eligible for benefits. For example, households are required to provide detailed documentation of expenses for shelter, dependent care, medical expenses, and child support. Similarly, the law requires that most unemployed adults without children should only receive food stamps for a limited time and most legal immigrants should not receive food stamps at all. However meritorious the intent of this policy, provisions of this kind require applicants to provide additional information, introduce new rules for caseworkers to follow, and impose costly and potentially error-prone tracking requirements on State agencies.

These burdens are particularly significant for the working families that comprise an increasing portion of the Food Stamp caseload. Caseworkers are often expected to anticipate changes in their income and expenses – a difficult and error-prone task, especially for working poor households whose incomes fluctuate – and households are expected to report changes in their circumstances to ensure that each month's benefit reflects their current need. Such burdensome requirements may discourage working families from participating in the program. They also make the job of State agencies, that must serve these working families effectively while delivering benefits accurately, significantly more difficult.

Finally, **there is growing awareness that we need to reform the quality control system to ensure that it more effectively encourages payment accuracy without**

discouraging States from achieving other important program objectives. The existing quality control system provides timely and accurate data on State performance in issuing the correct amount of benefits, as well as other valuable program information. Establishing sanctions against any State with a higher than average error rate is a source of serious and continuing friction with States. Sanctioning approximately half of the States each year does not contribute effectively to productive partnerships that can achieve the program's objectives. In addition, there is growing concern that the system discourages states from achieving other desired program outcomes; such as program access. My view is that every person eligible to receive food stamps should have full and easy access, while maintaining integrity in the program. We need to re-examine how the Food Stamp Program recognizes and supports its multiple program goals.

Food Stamp Reauthorization: A Framework for the Future

The Administration considers the Nation's nutrition assistance programs a critical source of food for low-income adults and children. It strongly supports reauthorization of the Food Stamp Program, as well as the other important nutrition programs – The Emergency Food Assistance Program (TEFAP), the Food Distribution Program on Indian Reservations (FDPIR), and the Commodity Supplemental Food Program (CSFP) – that are important components of the Farm Bill.

You have asked me to focus today on the Administration's proposal for reauthorization of the Food Stamp Program. As you know, my tenure in this position has just begun, and we

are just starting a process to develop our reauthorization proposals. I am eager to work with Congress as these proposals are developed to make program improvements that will address the challenges, and the changing policy environment, that I have described. Today, I would like to identify and describe some general areas of interest that we expect to explore in developing the Administration's proposal:

- ***Supporting Work:*** Food stamps can serve as a critical support for the transition to work and self-sufficiency. But working families often have circumstances that make complying with the program's procedural requirements more difficult. We need to explore changes to make the program work better for working families, facilitating their access to the benefits they need while minimizing burdens for State agencies.

- ***Simplifying Program Rules:*** There is broad agreement that the program has grown too complicated. The consequences of this complexity for State and local program operators and, more importantly, for the low-income people the program serves, are serious. We must find ways to reduce burdens on applicants and participants, and to reduce administrative complexity for local administrators.

- ***Maintaining the Nutrition Safety Net:*** The national eligibility and benefit rules of the Food Stamp Program form a safety net across all States. As States continue to explore innovative welfare policies, food stamps must be available to provide a steady base that serves the basic nutrition needs of low-income households wherever they live. We need to preserve the program's national structure. At the same time, we

should consider whether program changes, including increased administrative flexibility, could help to ensure that all those at risk of hunger have access to the benefits they need. We also need to improve the program's effectiveness in promoting healthy diets for the people it serves.

- ***Improving Accountability:*** As you know, prudent stewardship of Federal resources is a fundamental responsibility, and is critical to continued public confidence in this important program. We need to remain vigilant in the fight against error, fraud and abuse, and consider improvements that can help to ensure that the taxpayer investment in the program is used as effectively as possible.

The Food Stamp Program's mission – to end hunger and improve nutrition – remains as vital today as at the program's beginnings. I am pleased to join the discussion we begin today to preserve the elements of the program that have contributed to its history of success, and to strengthen and improve it to meet the challenges of a new century.

Mr. Chairman, that concludes my remarks. I would be pleased to answer any questions.

TESTIMONY OF ROBERT GREENSTEIN
Executive Director, Center on Budget and Policy Priorities
before the
Senate Committee on Agriculture, Nutrition, and Forestry
July 19, 2001

I would like to thank the Chairman and the Members of the Committee for the invitation to testify. I am Robert Greenstein, director of the Center on Budget and Policy Priorities, an organization that conducts research and analysis both on fiscal policy and on policies and programs focused on low- and moderate-income families. Many years ago, I had the opportunity to serve as Administrator of the Food and Nutrition Service at USDA. My testimony today focuses on the food stamp program, a program in which I've had a keen interest for nearly 30 years.

Background on the Food Stamp Program

The food stamp program has long been unique among low-income programs. It is the only major benefit program that covers all types of low-income households. It has always differed from welfare programs; working-poor families and two-parent families have always been eligible, rather than being ineligible or subject to more restrictive eligibility rules. In addition, the food stamp program is the *sole* major low-income program that places poor children and their families in the same eligibility-and-benefit structure as the low-income elderly and disabled, a feature of the program that has been beneficial to poor families with children, since they usually are accorded less favorable treatment than the elderly and disabled when separate programs or separate eligibility-and-benefit rules are established.

The food stamp program also is the nation's most important child nutrition program — half of all food stamp recipients are children, and the program provides more food assistance to low-income children than the school lunch program or any other child nutrition program. A team of doctors the Field Foundation sponsored that examined hunger and malnutrition among poor children in the South, Appalachia, and other poor areas in 1967 (before the food stamp program was widespread in these areas) and again in the late 1970s (after the program had been instituted nationwide) found marked reductions over this period in hunger and malnutrition among children. The doctors attributed these improvements in large part to the food stamp program; when the doctors reported their findings to this Committee in the late 1970s, they stated: "The food stamp program does more to lengthen and strengthen the lives of disadvantaged Americans than any other non-categorical social program" and "is the most valuable health dollar spent by the federal government." Findings such as these led Senator Robert Dole, during his tenure in the Senate, to term the food stamp program the most important social program since Social Security.

Another significant feature of the program is that it targets benefits to need, seeking to provide benefits commensurate with a household's ability to purchase a basic diet. Households with the lowest disposable incomes — measured as income after certain expenses — receive the

largest benefits. As income rises, benefits are reduced. In addition to improving the efficiency of the program, this program feature serves another purpose — it reduces inequities between households that secure certain other government benefits and those that do not. A working-poor family with high child care or housing costs receives more food stamps than a family that has similar earnings but does not incur such costs because it receives a publicly funded child care or housing subsidy.

Recent Changes in the Composition of the Food Stamp Caseload

Over the past decade, there have been rather dramatic changes in who receives food stamps. Stated simply, it has become much less a program for non-working families receiving public assistance and much more a program for working households.

Consider the following figures. In FY 1989, nearly 60 percent of all families with children receiving food stamps were families that received AFDC and had no earnings. In FY 1999, only 37 percent of food stamp families with children had these characteristics. The figure is certain to be still lower today.

Similarly, 10 years ago, the number of food stamp households with children that received AFDC and had no earnings was more than double the number of working food stamp households with children. Today, the number who work *exceeds* the number who receive cash welfare benefits and are not employed.

Indeed, by fiscal year 1999, only 13 percent of food stamp recipients were adults who were not elderly, disabled, or caring for an incapacitated person and who lived in a household in which no one was employed.[1] The large majority of this 13 percent of recipients — about two-thirds of them — consisted of individuals participating in TANF and hence subject to TANF work requirements or participating in another employment or training program. Only four percent of all food stamp participants consisted of adults who were not elderly or disabled, caring for an incapacitated person, subject to TANF work requirements, or participating in another employment and training program.

Moreover, about half of this remaining four percent of participants were mothers caring for a young child. Five-sixths of this four percent of participants were mothers caring for a young child, individuals registered for work in the food stamp program, individuals exempt from work registration for other reasons, or individuals without children whose tenure on food stamps is limited to three months out of each three-year period. The majority of the very small number of remaining recipients were recently unemployed workers who were receiving unemployment insurance or individuals enrolled in an educational program at least half time. Only two-tenths of one percent of food stamp recipients did not fall into one of these categories.

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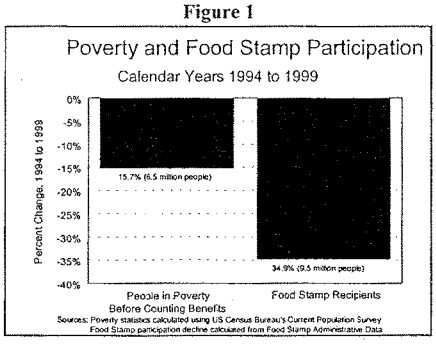
[1] In 1999, some 87 percent of food recipients were children, employed individuals, elderly or disabled individuals, adults caring for an incapacitated person, or adults who were not employed themselves but were part of a household in which another member worked.

Trends in Food Stamp Participation

Food stamp participation has fallen dramatically in recent years. In 1994, some 27.5 million people received food stamps in an average month. In 2000, 17.2 million did. This is the sharpest decline in the program's history.

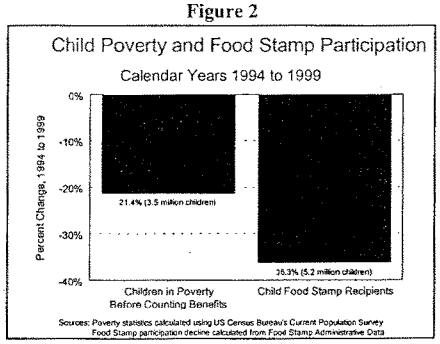
The robust economy clearly was a major factor here. But more than the economy was involved. As Figure 1 indicates, from 1994 (when food stamp participation peaked) to 1999 (the latest year for which poverty data are available), the number of people living in poverty declined 16 percent,[2] while the number of people receiving food stamps fell 35 percent. The figures for children are similar — the number who are poor fell 21 percent (an impressive accomplishment) but the number receiving food stamps fell 36 percent. The loss of food stamps among many families that remained poor is a key reason why the Census data show that over this period, the children who remained poor became poorer, on average. In 1999, the average poor child fell farther below the poverty line than in any year since the Census Bureau began collecting those data in 1979.[3]

Figure 1



Part of the decline in food stamp participation that was not attributable to the economy resulted from provisions of the 1996 welfare law that eliminated food stamp eligibility for most legal immigrants and limited food stamp eligibility to three months out of each three-year period for non-disabled adults aged 18 to 50 who are not raising minor children and are unemployed. This eligibility changes can, however, explain only a fraction of the large food stamp participation decline.

Figure 2



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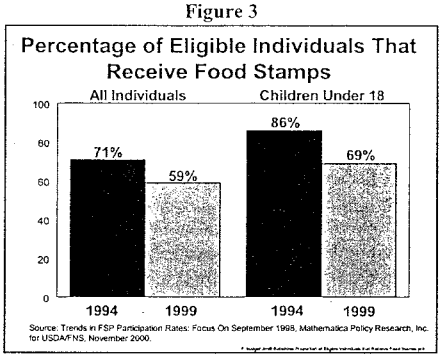
[2] This figure measures the change in the number of people who are poor before means-tested benefits are counted.

[3] These data on the depth of poverty use a broad measure of poverty that most analysts favor, under which non-cash benefits such as food stamps are counted as income.

The evidence is now clear one of the two largest factors behind the food stamp participation decline (the economy being the other) was a large, unexpected drop in the proportion of low-income households eligible for food stamps that actually receive them. Studies conducted for USDA by Mathematica Policy Research show that in 1994, some 71 percent of those eligible for food stamps secured them, but in 1998, only 59 percent did. (1998 is the latest year for which these data are available.) The decline was particularly large among eligible households with incomes between 50 percent and 100 percent of the poverty line, a category where most of the working poor are found.

Figure 3



The decline in participation rates has been especially large among children. In 1994, 86 percent of eligible children received food stamps. In 1998, some 69 percent did.

Reductions in Food Stamp Costs

Food stamp costs have fallen sharply in recent years. Food stamp benefit expenditures in fiscal year 2000 were $15 billion. This represented a 23 percent decline from expenditures in fiscal year 1994, after adjustment for inflation.

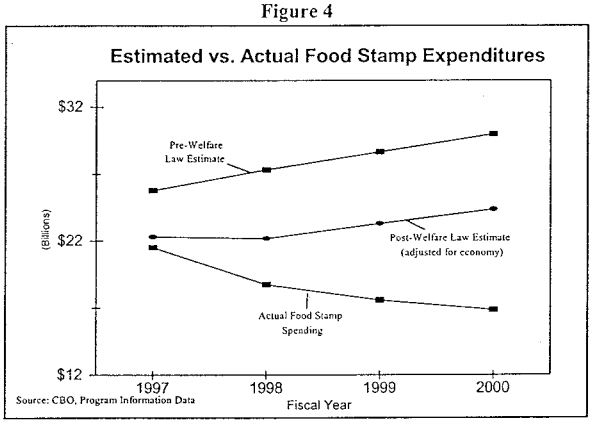
Some of this reduction resulted from provisions of the welfare law. When the law was enacted, CBO estimated its food stamp provisions would reduce food stamp expenditures by nearly $28 billion over six years and account for half of the savings in that law. CBO also estimated these provisions would eliminate nearly one-fifth of projected food stamp benefit expenditures by 2002.

The CBO estimates showed that a substantial majority of these savings stemmed not from the law's provisions restricting eligibility for legal immigrants and adults without children, or from the provisions of the law that toughened food stamp requirements related to work, payment of child support, and the like. Instead, the CBO estimates show that two-thirds of the food stamp savings resulted from provisions to reduce food stamps benefits, often on an across-the-broad basis, for most or all categories of food stamp households, including the working poor and the elderly and disabled. Although a few of these benefit-reduction provisions subsequently were scaled back, most remain in effect. A typical family of four with a parent who works full-time year-round at the minimum wage now receives $240 a year less in food stamps as a result of these changes.

In other words, for most poor households, the food purchasing power of food stamp benefits has eroded. Further erosion will occur in coming years because of a provision of the welfare law that eliminated an important inflation adjustment in the program. (This Committee originally rejected that provision; it was eventually included in conference.) Over time, this provision will lessen the program's effectiveness in helping low-income families purchase a nutritionally adequate diet.

These provisions were included in the welfare law to meet austere budget targets the Agriculture Committees were assigned during a period when large deficits were believed to loom indefinitely. These across-the-board or near across-the-board benefit cuts had no relation to welfare reform goals such as promoting work and marriage. As a result of these provisions, budget cuts were deeper in the latter half of the 1990s in the food stamp program than in any other major social program in the federal government.

Figure 4



The combined effect of the economy, the food stamp budget cuts, and the unexpected decline in food stamp participation rates has produced the large reduction in food stamp expenditures noted above. Figure 4 helps to illustrate this point. The top line in the figure shows CBO's estimate, prior to the welfare law's enactment, of what food stamp costs would be in fiscal years 1997 through 2000 if the Food Stamp Act remained unchanged. The middle line shows CBO's estimate, at the time of the welfare law's enactment, of food stamp expenditures in 1997-2000 under the welfare law; this line includes downward adjustments we have made in the CBO cost estimate to reflect the fact that the economy has performed better since 1996 than CBO had forecast. The bottom line in the chart shows actual food stamp expenditures in these years. The large and growing gap between the middle line and the bottom line primarily reflects the large and unexpected declines in food stamp participation rates.

What Has Caused the Unexpected Decline in Participation Rates?

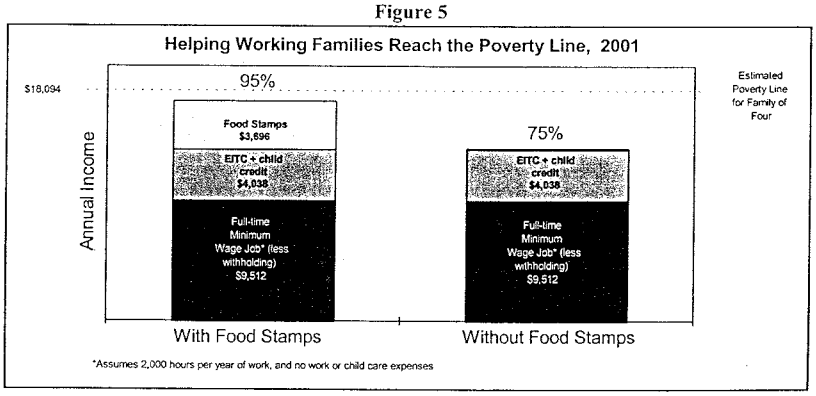
To assess possible reforms in the food stamp program, two additional issues need to be examined: what has caused the large decline in food stamp participation rates?; and how is the

current operation of the food stamp program affecting the welfare-reform goal of promoting work?

With regard to the trends in participation rates, it should be noted that eligible working families have always had a lower food stamp participation rate than families receiving public assistance. Hence, the combination of increases in employment and decreases in welfare receipt would be expected to result in some decline in the overall food stamp participation rate. In addition — and of particular concern — the participation rate among working families with children has itself declined. Between 1994 and 1998, the percentage of eligible working households with children that receive food stamps fell from 59 percent to 51 percent. The program began doing less well at serving working poor families at the very time that welfare reforms sought to encourage poor families to go to work rather than rely upon cash welfare assistance.

Virtually all eligible households receiving TANF cash benefits receive food stamps. By contrast, only half of the eligible working-poor households do. The movement from welfare to work has heightened the importance of this low participation rate among eligible working-poor households. Policymakers of both parties have for some time espoused the principle that if a parent works full time throughout the year, his of her children should not have to be in poverty. With expansions in the Earned Income Tax Credit under Presidents Reagan, Bush, and Clinton, this goal has nearly been achieved for a family of four or fewer people — the combination of full-time minimum wage earnings, the EITC, and food stamps lift a family of four just about to the poverty line. If, however, such a family does not receive food stamps despite being eligible for them, it still falls a substantial distance below the poverty line. (See Figure 5.)

Figure 5



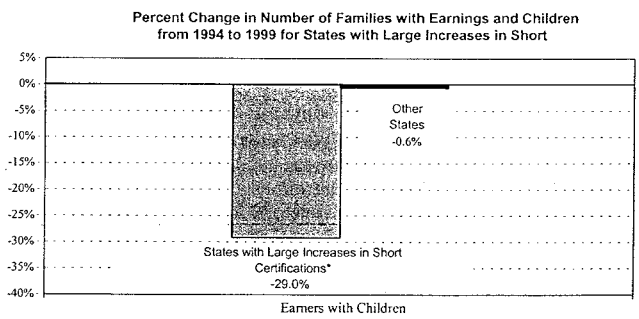
Urban Institute studies shed some light on one aspect of this matter. These studies show that large numbers of families working their way off welfare but remaining poor are losing food stamps when they go to work, despite remaining eligible for them. The Urban Institute examined families with children that received welfare and food stamps in 1997 but had left the welfare rolls by 1999. The researchers found that in 1999, only 43 percent of the "welfare-leaver" families that had incomes below the food stamp income limits were receiving food stamps. Urban Institute researchers also found that one-third of the families that left welfare during this period reported they had either cut the size of meals or skipped meals in the past year because they did not have enough food.

Various studies have documented problems in the interaction between TANF and food stamps when a family leaves welfare for work. Large numbers of families apparently do not realize their food stamp eligibility continues at this point. Lack of information about the differences between food stamp and TANF eligibility rules is, however, only one of the factors related to the drop in food stamp participation rates. Other factors also are playing a role.

Of particular importance are changes in many areas in the food stamp administrative procedures that low-income working families must navigate to secure and retain food stamp benefits. The Urban Institute studies found that between 1997 and 1999, the number of eligible, non-participating families that cited administrative problems as a reason for their non-participation nearly doubled.

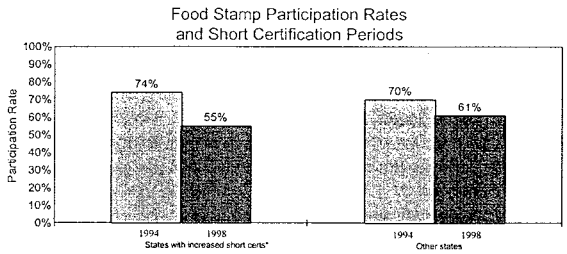
For example, in recent years, a number of states have shortened the duration of time for which working families (and in some cases, other families as well) may be certified for food stamps and required such families to return to food stamp offices at more-frequent intervals to

Figure 6



*These states increased their use of certification periods between 1 and 3 months by 50 percentage points for families with children and earnings. Twelve states met this standard; Arizona, Maine, Missouri, North Carolina, Ohio, Oklahoma, Texas, Utah, Virginia, West Virginia, Wisconsin, and Wyoming.

Figure 7



* These states increased their use of certification periods between 1 and 3 months by 50 percentage points or more for families with children and earnings. Eleven states met this standard between 1994 and 1998: Arizona, Georgia, Indiana, Maine, Missouri, North Carolina, Ohio, Oklahoma, Texas, Virginia, and Wisconsin.

reapply. This can cause parents to miss time from work and forgo some wages. It also can aggravate employers. Between 1994 and 1999, a dozen states increased by 50 percentage points or more the proportion of working households with children that were assigned food stamp certification periods of three months or less (i.e., required to reapply at three-month intervals to retain their benefits). In these states, the number of working households with children that receive food stamps fell 29 percent over this five-year period. In the other states, the number of working households with children receiving food stamps declined less than one percent. Similarly, overall food stamp participation rates fell twice as much in states that greatly increased the use of these short certification periods for working households as in other states.

The spread of such practices has stemmed *not* from the welfare law or the pursuit of welfare-reform goals but from intensified state efforts to lower food stamp error rates, induced by increased federal pressures on states to reduce errors. Under the food stamp quality control system, any state with an error rate above the national average is potentially subject to fiscal sanctions. State performance on error rates is the sole performance measure the food stamp law sets. States often measure the performance of local food stamp offices, supervisors, and even individual eligibility workers based partly on the error rate of the cases they handle.

The substantial increase in recent years in the proportion of the food stamp caseload that consists of households with earnings has greatly intensified these pressures on states. Because household earnings can fluctuate and food stamp benefits are sensitive to modest changes in monthly income or expenses (each change of $3 in net household income results in roughly a $1 change in benefits), precise benefit accuracy is more difficult to achieve for households with earnings than for households receiving public assistance. Welfare payments usually remain constant from month to month, and if a family's welfare grant level does change, the welfare office — which administers both welfare and food stamps — knows of the change immediately. Among working poor households, by contrast, hours of work and hence household earnings can

fluctuate due to changes in employers' needs, temporary breakdowns in child care arrangements, or a parent or child becoming sick. (Many low-wage jobs do not provide paid sick leave.) It is difficult for food stamp offices (and households) to track these earnings fluctuations on a month-to-month basis. Until recently, if a working poor parent worked just one hour more or less per week than the food stamp office had projected, the state was charged with an error. The average error rate in 1998 was nearly twice as high among households with earnings as among those without earnings.

The recent increases in the share of the caseload consisting of working families thus have exerted upward pressure on state error rates. Indeed, the more effective a state's welfare reform program is in moving families from welfare to work, the greater the risk the state has of seeing its food stamp error rate increase and of becoming subject to federal financial sanctions.[4]

Many states responded by instituting aggressive procedures to reduce the potential for errors among working households, including shorter certification periods and more intensive paperwork and verification requirements. In addition, because of quality control pressures, some states subject categories of households considered to be "error prone" to more exhaustive procedures; in some areas, simply having earnings can place a household in an error-prone category. These practices make it more difficult for families to secure and retain food stamps if they go to work.

Citizen Children in Immigrant Families

Another factor that has contributed to decreases in participation rates has been a remarkable decline in food stamp receipt among children who are U.S. citizens but live in a household that contains one or more persons (usually a parent) who is a legal permanent resident. USDA data show that between 1994 and 1998, the number of such citizen children receiving food stamps fell 74 percent, despite the fact that children who are citizens did not lose food stamp eligibility. The number of these citizen children who receive food stamps plunged by one million, from 1.35 million children in 1994 to 350,000 in 1998. The participation rate among citizen children living in a household with a non-citizen

Change in Food Stamp Participation from 1994 to 1998 for Citizen Children in Families with a Legal Permanent Resident

Participants 1994	Participants 1998	Percent Change
1,357,000	354,000	-74%

[4] USDA recently instituted a procedure of making an adjustment in state error rates, when figuring sanctions, to provide some relief to states with caseloads that include a larger-than-average percentage of working households or that recently have experienced a substantial increase in the number of such households that receive food stamps. This adjustment is a useful first step. It is not in statute or regulations, however, and states are not assured of the continuation of this policy.

member fell from 76 percent to 38 percent during this period.

This decline appears attributable in part to confusion about the complex food stamp rules that apply to immigrant families. Legal immigrant *parents* are ineligible for food stamps even if they entered the country before the welfare law was signed, while their *children* are eligible if they either are citizens or entered the country before August 22, 1996. Apparently, some parents mistakenly believe their children are ineligible along with themselves.

How is the Food Stamp Program Affecting State Efforts to Promote Movement from Welfare to Work?

At various points over the past several years, two very different criticisms have been voiced regarding the effect of the food stamp program on welfare-reform efforts to promote work. The criticisms were based largely on anecdotal information and personal belief and intuition, since not much data or research had been completed in this area. Now more research and data are available to help evaluate these issues.

The first criticism is that the food stamp program may be compromising welfare-reform efforts to promote work because the presence of the food stamp program may be inducing significant numbers of families with children to escape TANF work requirements by leaving or failing to enroll in TANF and enrolling only in food stamps. If such an effect were present, there would be substantial increases since the enactment of TANF in the number of food stamp households with children that are neither working nor receiving welfare. The rich data that USDA makes available on the food stamp program can be examined to determine if this has been occurring.

The good news is that the data show this has *not* occurred. Between 1996, when the welfare law was enacted, and 1999 (the latest year for which these data are available), the number of food stamp families with children that neither work nor receive cash welfare benefits declined rather than increased, falling by more than 90,000. The decline occurred among both two-parent and single-parent families.

These figures are significant. Welfare rolls have plummeted in recent years, and studies have consistently shown that a significant fraction of those who have ceased receiving welfare have done so without becoming employed. As a result, one would have expected to see *some* increase in the number of families that receive food stamps but are neither employed nor on welfare. The fact that this did not occur and that the number of such families has declined strongly indicates that the food stamp program is not hindering TANF work requirements and that families are not seeking to avoid working by foregoing cash welfare benefits and relying only on food stamps.

That this did not occur may be related, in part, to several changes made in the food stamp program in 1996. Before then, a family's food stamp benefits *increased* if it lost income because its welfare benefits were sanctioned due to noncompliance with a work requirement. As a result of the food stamp policy changes made in 1996, food stamp benefits no longer increase when

welfare benefits decline because of a sanction. In addition, the welfare law stiffened the food stamp program's own sanctions for noncompliance with work and other behavioral requirements, including noncompliance with a TANF work requirement. Now, instead of a household's food stamps increasing if a family is sanctioned in TANF, its food stamps may be reduced.

A second likely reason that the number of food stamp families with neither employment nor welfare benefit has not increased — and that non-working families do not appear to be bypassing TANF to avoid its work requirements and enrolling only in food stamps — is that food stamps do not enable families lacking both earnings and welfare benefits to pay rent or utility bills or meet any other necessities that require cash.

The second criticism related to the food stamp program's possible effects on welfare-reform efforts is a very different one. This criticism is that by not serving the working poor adequately, the food stamp program is lessening the incentive to move from welfare to work. If families on welfare believe they will lose their food stamp benefits as well as their welfare check if they go to work at low wages, the net gain from working may be too small to make work attractive.

There is some evidence to support this criticism. Studies by both Mathematica Policy Research and the Manpower Demonstration Research Corporation find that many welfare families do not understand they will remain eligible for food stamps if they leave welfare for low-wage work. A recent MDRC paper specifically warns that this may be lessening incentives to move from welfare to work and thereby weakening welfare-reform efforts. Many state officials have urged that steps be taken to improve the food stamp program's performance in serving low-income working families not on welfare.

Food Stamp Reforms

Improvements can be made in the food stamp program to help address these issues. Changes are needed to retool the program to improve access by the working poor — including program simplification, reform of the quality control system, and the granting to states of more flexibility over various aspects of the delivery of benefits to eligible households. Changes also are needed to address the overly large reductions of recent years in the food purchasing power the program provides to the working poor, the elderly, and other households, and to narrow gaps in coverage.

A piece of bipartisan legislation recently has been introduced that addresses some of these issues — S. 583, introduced by Senators Kennedy, Specter, Leahy and other senators (and its House companion bill, H.R. 2142, introduced by Rep. James Walsh, Eva Clayton, and a number of other House members from both parties). This legislation would restore benefits to legal immigrants, improve the adequacy of food stamp benefits, ease the transition from welfare to work, and establish several pilot projects to test various other possible program reforms. The provisions of this legislation are sound and warrant the Agriculture Committee's careful consideration.

S. 583 does not address all of the matters needing attention in reauthorization, however. Other measures are needed in such areas as program simplification and quality control reform. The following discussion examines an array of provisions not included in S. 583 that merit consideration.

I. Improving Access by the Working Poor

A. Reform of the System for Measuring State Performance

Governors, state administrators, and independent analysts have urged an overhaul of the food stamp quality control system. The current system penalizes states for serving working families. Perversely, the larger the proportion of a state's caseload that consists of welfare families and the smaller the proportion that consists of working families, the lower a state's measured error rate will be. As a result, the current system can drive states to institute procedures that impede participation in the food stamp program by working households, compel such households to have to take time off from work at frequent intervals to maintain their food stamps, and essentially treat working families less favorably than other families. Adding to this problem, the food stamp quality control system makes states subject to sanction if their error rate is above the national average, which means that about *half* of the states are subject to sanctions each year, even if states as a whole are performing well and have achieved a low national error rate. Indeed, that is what has been occurring.

The food stamp quality control system was largely constructed a number of years ago when food stamp error rates were much higher than they are today. When food stamp quality control sanctions first were enacted, the food stamp overpayment rate was 17 percent. Now, with the advent of computers, better trained staff, and other administrative improvements, the overpayment rate has fallen to 6.5 percent. Moreover, a large share of the errors that do occur are errors that result when a low-income household that is eligible for food stamps receives a modestly larger or smaller benefit than it should. Only two percent of households receiving food stamps should have been found ineligible for the program. In short, while there is room for further improvement, primarily in a handful of states with high error rates, achievement of a national overpayment rate of 6.5 percent in a program as large and complicated as this one reflects strong performance. The severity of the current quality control system, which operates as a blunt instrument on the states, is not appropriate in the current environment.

Cash assistance and Medicaid used to have quality control systems similar to that which the food stamp program still employs. They no longer do. With 100 percent federal funding of food stamp benefits, some form of food stamp quality control system is necessary, but there is widespread consensus that substantial changes are needed here.

In the late 1980s, a blue-ribbon National Academy of Sciences panel studied the food stamp quality control system at USDA's request. The panel's report provides a sound starting point for thinking about QC system reform. One of the panel's principal recommendations was to cease basing sanctions on measures that subject large numbers of states to sanctions and

instead to adopt a standard that focuses sanctions on states whose error rates make them "outliers." The worst state performers should be subject to sanctions, the panel recommended, rather than close to half of the states.

In addition, a more comprehensive assessment of states' performance in operating the program is needed. Payment accuracy should continue to be at the core of the system for measuring state performance, but payment accuracy should not be the sole measure the federal government uses in measuring performance. Other measures, such as measures related to performance in serving eligible households, and especially working families, also should be employed, with possible fiscal incentives attached.

Such improvements in the quality control and performance measurement system could have strong beneficial effects. In the past two years, USDA has increased state flexibility in certain areas to enable states to remove various barriers to participation by the working poor. Some states have been wary of taking advantage of this flexibility, however, since the QC system can effectively penalize them for improving service to the working poor.

Program developments in recent years indicate that when state flexibility is coupled with rigid and unrealistic quality control rules, states can feel compelled to institute measures that have the effect of making food stamps more difficult for eligible working families to secure. By contrast, if greater state flexibility over the delivery of benefits is coupled with significant quality control reforms, states are more likely to institute measures that improve service to eligible low-income working families. That has been the experience in Medicaid in recent years — an easing of quality control pressures and added state flexibility over the delivery of benefits have resulted in changes in states that have made that program more accessible to the working poor.

B. Simplification

Various rules related to food stamp eligibility and benefit determinations are too complex for a program aimed at working families, especially certain rules related to small amounts of income. To ensure that no family receives a dollar more than it is considered to need, federal rules get into minutia such as when small amounts of money received from giving blood count as income. Some of these intricate rules are in law; others are in regulations. These rules make little difference in the total amount of benefits provided, but they complicate the program for states and households alike, and thereby increase both errors and barriers to participation. Such rules should be reviewed and cleaned out, with an eye to reducing the number of minor forms of income and assets that must be assessed.

Some simplification of the program's deduction structure also may be possible. Efforts in this area should be sensitive to the impact that such changes would have on those who benefit from the deductions. The deductions are designed to enable states to determine the amounts that households have available to buy food, so that benefits can be targeted on need. Modifying the deductions with the sole goal of simplification could have deleterious impacts on millions of individuals, causing some of the neediest households to face substantial benefit cuts. That having been said, some simplification is both possible and desirable.

For example, if a Medicare prescription drug benefit is enacted and the component of Medicaid that pays for Medicare premiums, deductibles, and co-payments for poor elderly and disabled is improved so it reaches more of those eligible, elimination of the food stamp excess medical expense deduction would be a possibility. (Without such an improvement in prescription drug coverage, eliminating the medical deduction would result in reducing benefits for nearly 300,000 elderly and disabled participants.)

In addition, some have raised concerns that the food stamp shelter deduction is unnecessarily complex. Measures should be explored to simplify this deduction without eliminating it or compromising its role in targeting benefits on families whose housing costs significantly reduce the income they have available for food. While the use of an average deduction across households would cause serious hardship and not be desirable, the deduction can be made simpler for households and less error-prone for states.

A significant part of the deduction's complexity stems from the rules for calculating households' utility costs. Although rent costs tend to remain unchanged from month to month, utility costs fluctuate. Current law seeks to simplify the determinations of utility costs and to avoid monthly benefit adjustments by allowing states to use statewide estimates called standard utility allowances (SUAs) in lieu of determining each household's actual utility costs. Unfortunately, the law imposes limitations on when the SUA may be applied that, while analytically rational, greatly undermine the SUA's capacity to simplify the calculation of the deduction. Although these rules do not affect terribly large numbers of households, they markedly increase the complexity of the procedures that states must teach their eligibility workers and the instructions they must program into their computers. These complicated SUA rules appear to be a significant source of quality control errors. For the past few years, the State of Montana has had a waiver in place that substantially simplifies the application of the standard utility allowance. While the Montana approach would be too generous and costly to extend nationally, it indicates that simplifying the application of the standard utility allowance results in significant simplification and a marked reduction in errors related to the shelter deduction. Simplification of the rules governing states' use of the standard utility allowance should be considered.

Another approach that would promote simplification is greater alignment of the food stamp program with Medicaid. The number of households receiving both Medicaid and food stamps now substantially exceeds the number of households either program has in common with TANF. Among food stamp households with children, almost twice as many received Medicaid as received cash assistance in 1999, the most recent year for which these data are available. Individuals who receive both Medicaid and food stamps but do not receive cash welfare benefits are primarily members of working families. This suggests that efforts to better align food stamp and Medicaid rules could both simplify program administration and improve access for eligible working families.

In 1999, about one million low-income children receiving food stamps were uninsured; nearly all of these children were eligible for Medicaid or a state health insurance program for children funded under the SCHIP block grant. Conversely, about three to four million children

with incomes under the food stamp income eligibility limit received Medicaid but not food stamps. In both cases, the children enrolled in one program but not the other were largely children from working families. Better coordination between the programs could help to connect more of these eligible nonparticipating children to the programs. Accordingly, efforts should be made to develop simpler joint application forms and procedures by which working families can apply for Medicaid and food stamps together, preferably in settings outside of the welfare office.

Such efforts would be facilitated if states were given the option of aligning the two programs more closely by using common definitions of gross income (so long as all major sources of earned and unearned income are included). This would streamline the food stamp income definition rules, enable states to clean out the minutia, and promote coordination between the two programs. States also could better coordinate eligibility reviews if, as a number of states have recommended, the Food Stamp Program revised its rules regarding food stamp recertification procedures to match those used in Medicaid. It might also be useful to test allowing states to use Medicaid or SCHIP verification procedures in determining food stamp eligibility for families seeking both benefits. (If food stamps and Medicaid were better coordinated, states also could consider building additional work support programs, such as child care, into a basic package that working-poor families could access through "one-stop shopping" and joint applications.)

Also worth testing are strategies to enable working families to apply jointly for food stamps and health insurance in a setting outside the welfare office. Most states now provide avenues for eligible working families to apply for Medicaid or SCHIP benefits outside the welfare office, either for the entire family or for children. As an increasing number of poor families become employed and are able to apply for health insurance without going to the welfare office, the risk increases that they will fail to secure food stamps if they have to go to the welfare office to apply. The Committee could establish pilot projects to test such approaches as co-locating food stamp eligibility workers with Medicaid and SCHIP eligibility workers at hospitals, community health clinics, and other health providers serving large numbers of low-income working families.

II. Providing Adequate Food Purchasing Power

The benefit reductions in the welfare law, which reduced the food purchasing power of all poor households receiving food stamps, were instituted in a time of substantial budget deficits. We are now in an era of surpluses. The adequacy of food stamp benefits should be reexamined as part of the reauthorization process.

S. 583 contains several strong proposals to improve benefits. The following are a few additional options the Committee may wish to consider. (This list is not intended to be exhaustive.)

Restoring Food Stamps' Sensitivity to Inflation — The food stamp program's standard deduction is supposed to reflect the costs of various necessities that families incur. Because these costs tend to rise with inflation, Congress included an inflation adjustment when it acted on a proposal

made by Senator Dole and established the standard deduction in 1977. The welfare law terminated these inflation adjustments, however, in part because some House members were concerned that the Consumer Price Index used to make these adjustments overstated inflation. (The version of the welfare law the Senate Agriculture Committee approved in 1995 did not repeal this inflation adjustment.) Since enactment of the welfare law, the Bureau of Labor Statistics has made a series of improvements in the CPI; as a result, it now rises more slowly. In addition, next year the BLS will unveil a new, alternative CPI with a further important methodological improvement. The alternative CPI, which BLS will be able to issue only once a year rather than monthly, will rise more slowly than the regular CPI. The Committee could consider restoring the inflation adjustment, using the alternative CPI. Alternatively, S. 583 contains an innovative proposal to set the standard deduction at 10 percent of the poverty line, reflecting the fact that if income is that low, virtually none of it may be available to buy food. Such an approach also has another attribute — it addresses an anomaly in the current standard deduction structure, under which a single individual receives the same standard deduction as a family with children.

Protecting the Elderly and Disabled — Many elderly and disabled receive small food stamp benefits (such as benefits of $10 or $15 a month) and may choose to let these benefits accrue over a few months before using them in a trip to the grocery store. We are concerned about reports that some elderly and disabled individuals who save up several months of benefits before making a single large shopping trip have had their benefits terminated under the EBT rules that are in use in a number of areas. Current policy in many EBT systems takes benefits off-line after three months. These elderly and disabled recipients may believe mistakenly they no longer are eligible for food stamps because their EBT cards do not work. This issue warrants examination.

III. Gaps in Coverage

Finally, I would urge the Committee to reexamine gaps in coverage that have emerged in the aftermath of the welfare law. I am referring here to the two most severe food stamp provisions of that law — the denial of eligibility to most low-income legal immigrants and the three-month limit imposed on the receipt of benefits by individuals aged 18-50 who are not raising minor children and are out of work.

In both of these areas, the provisions of the welfare law are considerably harsher than those this Committee adopted when it fashioned its version of the welfare law in 1995. There was a large difference in these areas between the House position and that which this Committee took. Furthermore, the provision in the welfare law that relates to individuals aged 18-50 goes well beyond the provisions that both the Senate and House Agriculture Committees originally adopted; this provision became more harsh as a result of an unexpected last-minute amendment offered on the House floor in July 1996 by several House members who sought to offset the increased costs the final version of the welfare bill contained for child care and a few other items by cutting more deeply into food stamps. The harshness of these provisions, which is uncharacteristic of this committee, warrants reexamination.

In the case of the 18-50 year-old adults, the Committee may want to consider the provision it adopted in 1995. That provision was tough but not draconian.

With regard to immigrants, I would note that the food stamp program's restrictions on legal immigrants are substantially more severe than those that apply in SSI, Medicaid, SCHIP, TANF, or any other means-tested program. The food stamp program is the *only* means-tested program that denies eligibility to large categories of poor legal immigrants who entered the United States *before* August 22, 1996, the date the welfare law was signed.

Because legal immigrant parents who entered the country before August 22, 1996 are ineligible, many immigrant families apparently do not understand that their children may qualify for food stamps. As noted earlier, the number of citizen children (with legal immigrant parents) who are receiving food stamps fell by a stunning 74 percent — or one million children — between 1994 and 1998.

In addition, in Medicaid and TANF, states have the option of making legal immigrants who entered the country *after* August 22, 1996 eligible for assistance after they have been in the country for five years. Most states are electing this option. In the State Children's Health Insurance Program (SCHIP), states are *required* to make such children eligible after they have been here five years. But in the food stamp program, families and children remain ineligible at the five-year point. As noted earlier, S. 583 contains a broad restoration of legal immigrant eligibility.

The confusing food stamp immigrant eligibility provisions now in law — under which some members of immigrant households may be eligible and others ineligible — also are a significant source of complexity and error for states. Prior to enactment of these rules, average food stamp error rates were about the same among immigrant and non-immigrant households. Since establishment of the new, complicated rules related to immigrants, error rates among households in which an immigrant resides have risen significantly.

Conclusion

The food stamp programs does a great deal of good and is one of our most valuable and important programs. However, it is not as effective as it can and should be. Reauthorization provides an opportunity to build on the program's strengths and to address the problems that have arisen in it.

Testimony of Ron Haskins
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Before the Committee on Agriculture, Nutrition and Forestry
U.S. Senate
July 19, 2001

Chairman Harkin, Ranking Member Lugar, and Members of the Committee:

My name is Ron Haskins. I am a Senior Fellow at the Brookings Institution in Washington, DC and a Senior Consultant at the Annie E. Casey Foundation in Baltimore. Until January of this year, I was a staffer with the Committee on Ways and Means in the U.S. House of Representatives where I was privileged to work on the 1996 welfare reform legislation. I greatly appreciate the opportunity to appear before your Committee today to talk about the reauthorization of the Food Stamp program and its relationship to welfare reform.

My goal in appearing before you today is to convince the members of this Committee of two important facts about the Food Stamp program. First, even more than in the past, the Food Stamp program has become a vital support to poor and low-income mothers who work. The increase in employment by single mothers since enactment of welfare reform in 1996 has been astounding. In fact, a higher percentage of single mothers are working now than at any time in the past. However, most of the mothers who left welfare for work are earning low wages, usually around $7 per hour. These mothers need all the support they can get, including Food Stamps. Second, the Food Stamp program as presently constituted is failing the majority of these mothers and children.

To set the stage for considering the increased importance of Food Stamps to low-income families, here is a brief overview of the results of the sweeping 1996 welfare reform legislation. It has been five years since Congress replaced the Aid to Families with Dependent Children program with the Temporary Assistance for Needy Families (TANF) program. Thus, enough time has elapsed that we can now talk with some degree of confidence about its effects.

In a word, TANF has succeeded in achieving its central goal; namely, the reduction of welfare dependency and the growth of personal responsibility. Welfare reform has had major effects on welfare caseloads, on earnings by single mothers, on total income of single parent families, and on child poverty. These effects associated with welfare reform are deep and significant: we have had the first sustained decline in welfare rolls in the history of the program, single mothers are now more likely to work than at any time in the past, the earnings of female-headed families are at an all-time high, child poverty is at its lowest level since 1979, black child poverty is the lowest ever, and poverty among female-headed families is the lowest ever (see Figure 1).

These wonderful effects have been caused by the confluence of three major factors: welfare reform, a robust economy, and a federal system of programs that support working families. I want to direct the Committee's attention to the last factor contributing to the nation's great success in promoting personal responsibility; namely, programs that support working families, or what might be called the nation's "work support system."

Roughly since the mid-1980s, Congress has been creating and expanding a set of programs that support poor and low-income working families (Table 1). By definition, these are programs that provide benefits, not just to people who don't or can't work, but to people who work. Indeed, some of these programs provide benefits only to working families. One of the reasons so many mothers have left welfare is that by combining their earnings, even from low-wage jobs, with benefits from the work support system, they are much better off financially than they were on welfare. Depending on the particulars of the mother's situation and her state of residence, it is not unusual for mothers leaving welfare to have $6 thousand or even $8 thousand more in income, even if she is in a job that pays only $6 or $7 an hour. In a typical situation, a mother leaving welfare earns $10,000 per year. If she has two children, she is eligible for an EITC of about $4,000 and Food Stamps worth about $2,000, bringing her total income to $16,000 – well above the poverty level for a family of three ($14,630 in 2001). Imagine the difference in living standard for this mother and her two children between her earnings of $10,000 and her total income of $16,000.

The rationale for the nation's work support programs is both that it encourages work and that it increases the income and the living standard of poor and low-income working families. In many cases, the work support benefits allow the family to escape poverty. It is useful for the members of this Committee, with its long history of commitment to helping poor families and children, to ponder why the federal government has deliberately constructed the work support system over a period of nearly two decades.

Unfortunately, it is now clear that because many of our young people emerge from the public schools with a minimum of skills, and because the American economy places a premium on skills, there are millions of young people with children who cannot earn enough to support their families. In the old days, it sometimes seemed that the goal of federal welfare policy was to give these families enough welfare in the form of cash and in-kind benefits, such as Food Stamps and housing, so that they could eke out a subsistence living. Thus, between the early 1960s and 1995, the year before enactment of welfare reform, Congress created scores of new social programs and increased spending on means-tested programs from around $50 billion to about $350 billion. Yet child poverty grew steadily throughout the period (Figure 2).

Clearly, the strategy of increased spending was not effective in fighting poverty. Worse, there were unintended effects on behavior. Millions of young, able-bodied Americans became dependent on welfare. Work done in the mid-1980s by David Ellwood and Mary Jo Bane at Harvard, and replicated many times since, shows that at any given moment around 65 percent of the families on the old Aid to Families with

Dependent Children program were in the midst of spells that would eventually last eight years or more. Subsequent research by LaDonna Pavetti of Mathematica Policy Research showed that the average length of spells for families on the rolls at any given moment was more than a decade. In addition to reducing the incentive to work, another likely behavioral effect of welfare, though not as well established by research, was the effect on marriage. More specifically, many researchers came to believe that welfare served to reduce marriage and thereby increase nonmarital child bearing.

In 1996 Congress and President Clinton decided to radically change the direction of the nation's welfare system and embarked on the new path of mandatory work complimented by the generous income supplements provided through the work support system.

But major problems with the Food Stamp program are greatly detracting from the effectiveness of the work support system. Unfortunately, well over half the families that leave welfare do not retain the food stamp benefits for which they are qualified, thereby reducing their income by $2,000 or $3,000 in most cases. Recent research by Sheila Zedlewski and her colleagues at the Urban Institute, based on interviews of random samples of U.S. households in 1997 and 1999, shows that only slightly over 40 percent of families that leave welfare and have incomes below 130 percent of poverty (about $19,000 in 2001) actually received food stamps in either year. Moreover, the Zedlewski study found that a major reason families gave for leaving the Food Stamp program even though they were still eligible for benefits was that there were "administrative problems" in maintaining their eligibility. Even worse, Zedlewski found that the percentage of parents who cited administrative problems as the reason they didn't receive Food Stamps nearly doubled between 1997 and 1999.

What are the administrative problems that make the Food Stamp program so difficult for eligible families to join? For the sake of emphasizing a point, let me exaggerate, but only slightly, by stating that in the TANF program, states are penalized if they don't put people to work. In the Food Stamp program, states are penalized if they do put people to work. It would be difficult to imagine two programs that are more incompatible than TANF and Food Stamps.

The major cause of the incompatibility is that TANF is a block grant that allows states almost complete flexibility in administration. By contrast, Food Stamps is an open-ended entitlement program that carefully defines through federal statute and regulation who is eligible, how resources are to be treated, how earnings and other income are to be treated, and how a host of other details are to be handled by states as they administer the program. TANF gives states a blank slate on which to develop their own rules and regulations; Food Stamps gives states an encyclopedia of federal rules and regulations that must be followed.

And hanging over all the federal Food Stamp rules and regulations is the federal Quality Control (QC) system. The QC system, of course, is necessary because Food Stamp benefits are paid for entirely by federal funds but states administer the program. If

there were not some mechanism to hold states accountable for their administrative accuracy, there could be substantial waste in the program – and big increases in federal spending. However, the problem arises because, as the Center on Budget and Policy Priorities (2000) has shown, in virtually every state Food Stamp cases that include a worker have higher error rates than cases in which no one works. The reason for this difference is clear enough. Especially among low-income families, there are frequent changes in earnings because low-income workers experience frequent changes in hours and even jobs. Thus, it is very difficult for states to know about, let alone keep track of, these frequent changes in earnings. As a result, state Food Stamp calculations for working families are often based on outdated information and are therefore in error. These errors are detected by the Quality Control program and often result in fines against the state.

Based on the above analysis, it seems clear that the Food Stamp program has a serious problem that the Committee should carefully examine and try to solve. Mothers who have left welfare and are responsible both for rearing their children and earning most of their family's income are a very worthy group. Unless I misread the poll results, American taxpayers want to help poor and low-income families that are working full time. That is why Congress has developed such a remarkable work support system that provides generous benefits (around $70 billion in 1999) to poor and low-income working families. But now we are confronted with the clear fact that over half the eligible families leaving welfare do not receive Food Stamps, one of the most important and valuable work support benefits. Much of the problem stems from the fact that Food Stamp administration by states is micromanaged from the federal level.

I will leave it to other witnesses, especially those representing administrators who conduct the Food Stamp program at the state level, to provide specific details of how the program's administrative problems could be solved. However, I would like to suggest the general outlines of a set of reforms that I recommend the Committee consider carefully. First, it seems obvious that there are three rather distinct populations in the Food Stamp program: the disabled, the elderly, and the non-elderly able-bodied. By contrast with the disabled and elderly, the able-bodied are expected to work. But if they do work, states are faced with the difficulties, reviewed above, involved in correctly calculating benefits. Thus, states should be permitted to apply a different quality control program to workers, leaving those who don't work subject to the current system. The Food Stamp statutes should set a minimal set of conditions that states must meet to establish a separate program for workers and the Food and Nutrition Service should have little discretion in granting the separate program.

Second, this separate system should provide states with the option to grant families leaving welfare for work with a Food Stamp benefit that is based on their starting salary and is fixed for at least six months. Subsequently, the state would be responsible for verifying income only at six-month intervals. The quality control program would hold states accountable for obtaining the correct earnings at the beginning of each six-month period and for computing the Food Stamp benefit correctly based on earnings and other characteristics of each case only at that time. States would be allowed

to develop their own methods of obtaining earnings information. If a recipient's income changes during the six month hold-harmless intervals, states would not be held accountable for recalculating the benefit amount based on these income variations. States would, however, be held accountable for verifying income every six months and for making accurate benefit adjustments based on the new income information or other change in circumstances. The recipient would have the right to apply for benefit recalculation at any time.

Third, states should be given much more flexibility in determining the value of an automobile a family can have and still qualify for Food Stamps. The current limit of $4,650 is far too low, especially now that so many single mothers are working. As the members of this Committee can well understand, reliable transportation is an absolute necessity for a working family. Thus, families should be allowed to have a vehicle worth more than the current limitation. Again, I would trust the wisdom of the Committee to establish the correct approach to setting the vehicle limit, but at a minimum the new provision should allow states to use the same vehicle test they establish under their TANF program.

Finally, the Federal government needs greater assurance that states are fully informing low-income families, especially those leaving welfare, of their right to continue receiving Food Stamps as long as their income is less than 130 percent of the poverty level. This issue can probably be handled at the Administrative level without any statutory changes. However, the Committee should be vigorous in informing the Food and Nutrition Service that state outreach is essential and that the Committee will carefully monitor the performance of the Food and Nutrition Service in providing leadership to ensure that states are conducting aggressive programs to help recipients leaving the TANF program maintain their eligibility for Food Stamps.

During the closing days of the Clinton Administration, the Food and Nutrition Service took regulatory action to establish policies similar to the ones outlined above. Although I am in complete agreement with the substance of these regulations, there are at least two reasons the Committee should deal with these important issues in statute. First, at least in my view, the magnitude of these issues is sufficient to require that they be spelled out in statutes rather than regulation. No Administration, Republican or Democratic, should be allowed to exercise the discretion exhibited by these regulations. Congress must jealously protect its right to legislate. The line between regulating and legislating is inherently somewhat gray, but these regulations seem to cross the boundary of appropriate regulation.

Second, states are reporting difficulty in getting both the Food and Nutrition Service and the Office of Management and Budget to approve their plans to improve administration of the Food Stamp program. In creating the TANF block grant program, Congress included provisions that gave the Secretary of Health and Human Services minimal discretion in approving state plans to create their own TANF programs. The dramatic success states have had in reforming their welfare programs shows beyond any reasonable doubt that states deserved the confidence Congress showed in giving them such flexibility. In similar fashion, it seems reasonable to give states much greater

flexibility to design and implement their own Food Stamp program for working families. This is especially the case because the Quality Control system, revised along the lines suggested above, will ensure accountability. If anything, more flexibility for states requires even greater accountability for outcomes.

Finally, it seems likely that if the Committee created legislation along the lines outlined here, the Congressional Budget Office (CBO) would attach some cost to the legislation. In this regard, I would like to call to the Committee's attention the truly surprising level of savings in the Food Stamp program over the past several years. The Food Stamp reforms initially designed by the Agriculture Committee in 1996 were estimated by CBO to save $23 billion between 1997 and 2002. Net of these savings, CBO estimated in 1996 that Food Stamp spending over the period 1997 to 2002 would total $190.1 billion. However, if we compare the 1996 projection with actual spending in the years 1997 to 2000 and projected spending for 2001 and 2002 from the most recent CBO baseline, it appears that only $120.1 billion will actually be spent. In other words, it now appears that the Federal government will realize about $70 billion in additional savings from the Food Stamp program (Figure 3).

Of course, under CBO rules, the Committee cannot claim any of these savings. Even so, there is no question that a major part of this $70 billion is attributable directly to welfare reform because so many more mothers left welfare than expected and the number of these families who did not receive Food Stamps is unexpectedly large. Thus, members of this Committee can justify the additional spending that will result from the types of changes recommended in my testimony on the grounds that the Food Stamp program has spent so much less money than expected for five consecutive years. Saving government money is not always a good thing.

By way of summary, the Food Stamp program, in part because of the Quality Control system, is failing large numbers of poor and low-income working families that are eligible for Food Stamps but are not receiving them. In the typical case of a single mother with two children earning $10,000, the mother qualifies for about $2,000 in Food Stamps. This amount of money would make a tremendous difference in the living standard of this mother and her children. Moreover, if all or nearly all the working families qualifying for Food Stamps were to actually receive the benefit, child poverty would decline substantially. States could reach many more of these families if they were allowed to reform the administrative rules of the portion of the Food Stamp program that provides benefits to working families. If the Committee helps states achieve the flexibility needed to coordinate the Food Stamp and TANF programs, hundreds of thousands of poor and low-income families are going to have their standard of living substantially improved. There are very few actions Congress could take that would have such an immediate and substantial impact in reducing child poverty.

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Figure 1
Welfare Reform Is Working

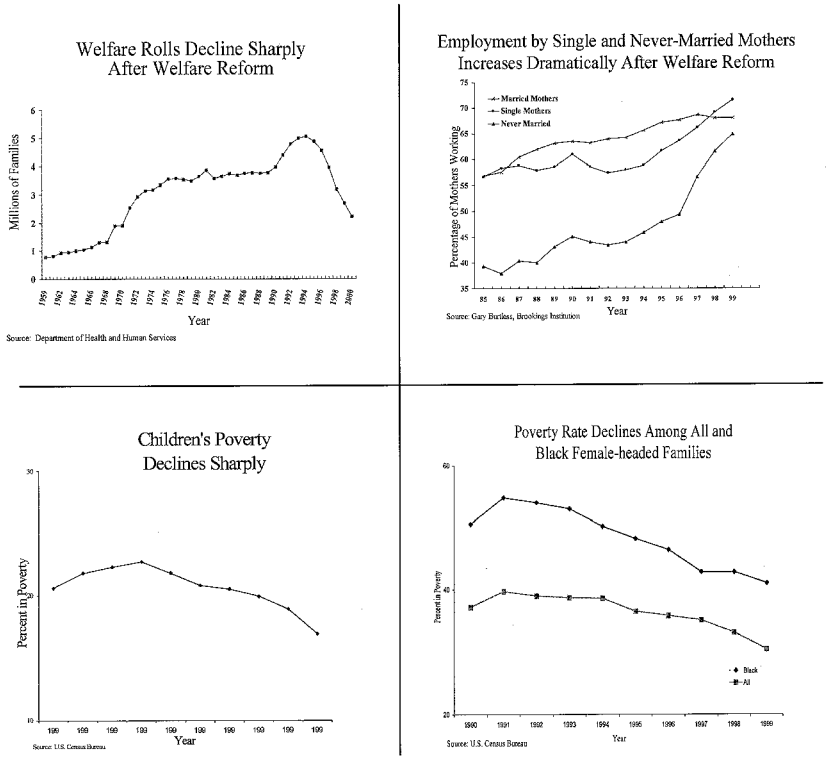


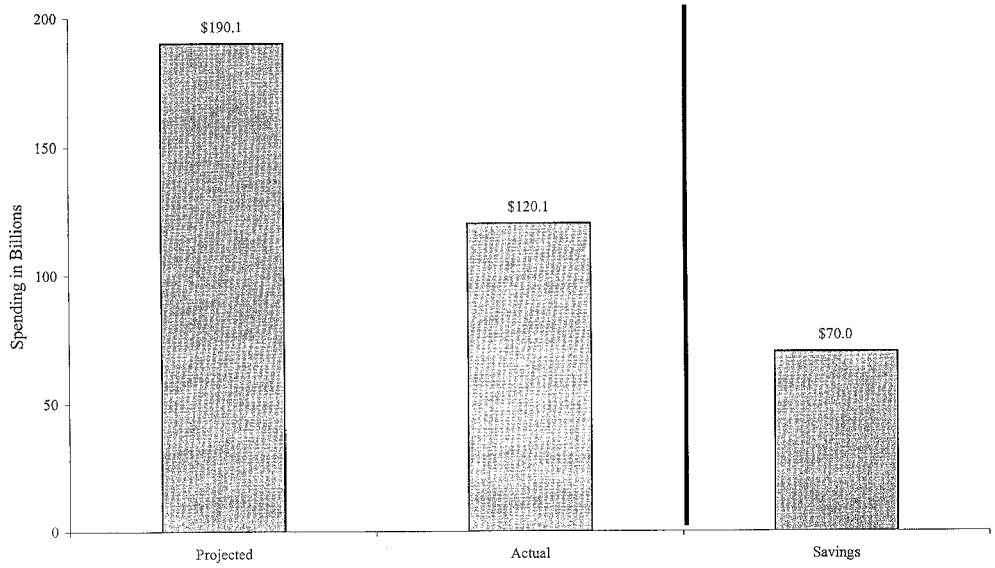
Table 1
Federal Programs that Support Low-Income Working Families

Program	Summary
Earned Income Tax Credit	A refundable tax credit that provides a cash income supplement of up to $4,000 for working families with incomes of less than about $30,000; the maximum benefit for a mother with two children and earnings of about $10,000 is $4,000
Food Stamps	A federally-financed, state-administered program that provides low-income families with either coupons or an electronic debit card that can be used to purchase food; a mother earning around $10,000 qualifies for about $2,000 in food stamp benefits
Medicaid	A federal-state health insurance program for poor and low-income families; most states provide coverage to children of working families up to about 200 percent of the poverty level (almost $29,000 for a family of three), although coverage for parents ends at much lower income levels
Child Care	There are numerous child care programs that provide care to children while mothers work. These include the Child Care and Development Block grant, Head Start, Title XX, the Child and Adult Care Food program, and two tax credit programs. Between 1993 and 2001, the funds available through these programs grew from about $9.5 billion to $20 billion.
Housing	A series of programs that provide federal subsidies for rent or home purchase, or direct provision of housing in housing facilities owned by government
Child Tax Credit	When fully implemented, families will receive a $1,000 credit per child against their federal income taxes. The credit will be refundable for families earning over $10,000 but with little or no tax liability. Families will receive about $50 billion over 10 years or $540 per family per

Figure 2
Percentage of Children in Poverty Increases, 1967-1993

Source: U.S. Census Bureau

Figure 3
Projected and Actual Food Stamp Spending, 1997-2000



Note: Based on 1996 Congressional Budget

Testimony of Karen Ford
Executive Director
Food Bank of Iowa
Des Moines, Iowa

Hearing to elicit suggestions for
the nutrition title of the new
federal farm bill

United States Senate

July 19,2001

Good morning Mr. Chairman, Ranking Member Lugar and distinguished committee members. My name is Karen Ford and I'm the Executive Director of the Food Bank of Iowa, an America's Second Harvest affiliate.

The Food Bank of Iowa is housed in a 53,000 sq. ft. warehouse in Des Moines. Last year 4,200,000 lbs. of grocery product was distributed to 240 member agencies and food banks. 19% of the product distributed was TEFAP and bonus commodities. The Food Bank has a 42 county service area, covering 30,000 sq. miles, populated by 1,000,000 Iowans living in small cities, towns and on farms.

As a foodbanker I am requesting the full funding of (administration) storage, transportation and distribution of bonus commodities as well as TEFAP.

Prior to the enactment of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) the Food Bank's advocacy efforts were targeted on federal food programs. After PRWORA the emphasis shifted to the state's implementation of welfare reform. In April of 2000 Governor Tom Vilsack created and appointed me to the Iowa Food Policy Council, a forum to study and make recommendations on food security and other food policy issues.

We were pleased to learn about one positive on the food stamp front. Iowa has benefited from the Food Stamp Nutrition Education Plan opportunities. We found it is an excellent way to have local communities provide nutrition education to food stamp eligible families. The Iowa plan has grown to a 1.7 million budget. Most of the 50% match of funds comes from local groups wanting to make a difference.

One of our first issues of concern was the Food Stamp Program participation levels. From 1996 to 2001 Food Stamp participation in Iowa dropped 28.9 % while demand on food pantries and feeding programs increased. Why aren't more people using the Food Stamp program? America's Second Harvest "The Red Tape Divide" State-by-State Review of Food Stamp Applications gave some clues. The application is an overwhelming 10 pages, but even more disturbing is it's written at a 12th grade reading level. At a meeting

with Iowa State University faculty their recommendation was the application should be short, user friendly and written at a 6th grade level.

A Food Bank board member recently said, "tell me again why we should care about food stamps". I explained that no matter how much donated food and commodities we could channel to member agencies we will never be a substitute for the food stamp safety net.

Based on my experience in Iowa I have the following suggestions to improve the program:

- Maintain the Food Stamp Program's benefit entitlement structure, so that all who may qualify based on need can receive necessary nutrition assistance;
- Simplify the Food Stamp Program, by simplifying food stamp eligibility requirements, application processing, change reporting and recertification;
- Revise dramatically the current quality control (QC) system that requires USDA to calculate penalties for states that perform below the national average and to pay extra administrative funding to states with very low error rates. Too often a state's QC error rate is the only measure of performance in administering the program that receives any attention. (Iowa was recently recognized by USDA for it's error rate decline) The program needs a positive measure of success that encourages states to remain accountable while expanding their efforts;
- Increase the minimum benefit level to $25;
- Change the Food Stamp Program's name and implement EBT.

The Food Stamp administrators in Iowa are in a difficult position. With strict adherence to the QC system and the current financial crisis, Food Stamp Reauthorization offers the best opportunity to make needed program changes.

As ideologies come full circle, it is once again time for the federal government to take the lead. Please make the Nutrition Title of the new federal Farm Bill strong and well funded so no child whether in Iowa or anyone of the fifty states will go to bed hungry.

Thank you for your time and consideration.

FOOD BANK OF IOWA

AT A GLANCE

Description – The Food Bank of Iowa is a private, non-profit charitable organization whose mission is to alleviate hunger and reduce food waste in Iowa. In 2000 4,187,637 pounds of donated food was channeled to needy families and individuals through a network of more than 260 non-profit agencies in 42 Iowa counties.

The Need – In 2000, voluntary reports submitted by the member agencies showed 4,476,710 meals were served in agencies providing meals. 91,147 households with 258,150 individuals* were served through the pantries reporting. With cuts in the Federal Food Stamp and Emergency Food Assistance Programs, plus a growing number of working poor trying to make ends meet, more Iowans will turn to agencies that rely on the Food Bank of Iowa for their food and grocery supplies.

The Food – The Food Bank of Iowa receives donations of products from all sectors of the food industry, including growers, packers, processors, manufacturers, wholesalers, brokers and retailers. Product is also received from America's Second Harvest who allocates the donations of the national food industry. In 2000, 44% of the Food Bank's donations were from America's Second Harvest donors, 30% were from the local food industry, 19% were from the USDA EFAP contract and 2% was purchased. Food drives, 5%, add an additional variety to the Food Bank's inventory.

The Agencies – The network of agencies receiving food includes the following: missions and shelters for the homeless, battered women and families in crisis; food pantries; infants and children's day care and residential centers; programs helping disabled people, the unemployed and the working poor; centers for low-income senior citizens; and other community service organizations.

Facilities – Located in a 53,000 sq. ft. warehouse at 2220 East 17th Street in Des Moines, the Food Bank of Iowa maintains about 45,000 square feet of dry storage in addition to just over 48,000 cubic feet of walk-in freezer space and substantial walk-in cooler space. A 24-foot refrigerated truck and cargo van are available for pick-ups and deliveries.

Funding – Funding for the Food Bank of Iowa comes from contributions from the agencies it serves, as well as donations from businesses, civic groups, foundations, schools, the religious community, individuals, promotions and special events. The Food Bank of Iowa is not a government agency and is not funded by tax dollars.

Advocacy – The Food Bank of Iowa is an active member of the National Anti-Hunger Community. Working with the Food Research and Action Center in Washington, D.C., along with the Public Policy Department of America's Second Harvest, the Food Bank of Iowa has been an advocate for hungry Iowans.

The Bottom Line – There was a time (a scant 30 years ago) when millions of pounds of edible surplus food went to waste every year, rather than to people in need. The Food Bank of Iowa and America's Second Harvest Food Bank Network has changed that. Thank you for your support!

**not a scientific count*

2220 East 17th Street, Des Moines, Iowa 50316 • Phone (515) 564-0330 • Fax (515) 564-0331

IOWA

FOOD INSECURITY (average 1996-1998)

Percent of all households food insecure	7.0%
Percent of all households food insecure with hunger	2.50%

STATE DEMOGRAPHIC DATA (1999)

Population	2,869,413
Number of children under age 18	719,685
Number of children under age 6	220,379
Per capita income	$25,615

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) (2000)

Maximum monthly benefit for a family of three	$426

POVERTY ESTIMATES (1999)

Number of persons living in poverty	211,000
Poverty rate	7.5%
Number of children under 18 living in poverty	72,000
Poverty rate for children under 18	9.9%

UNEMPLOYMENT (1999)

Number of persons unemployed	40,000
Unemployment rate	2.5%

FEDERAL NUTRITION PROGRAMS

SCHOOL BREAKFAST PROGRAM (1999-2000)

Average daily student participation:	
Free and reduced price	42,908
Paid	24,478
Total	67,386
Students receiving a free or reduced price school breakfast per 100 receiving a free or reduced price school lunch	35.3
Ranking	36
Percent increase in students receiving free and reduced-price breakfasts since 1990	186.4%
Number of schools participating	1,433
Percent of schools participating in school lunch that also participate in school breakfast	86.6%
Federal reimbursement for school breakfast	$8,012,741

NATIONAL SCHOOL LUNCH PROGRAM (1999-2000)

Average daily student participation:	
Free and reduced price	121,700
Paid	261,863
Total	383,563
Number of schools participating	1,655
Federal reimbursement for school lunch	$45,119,959

SUMMER NUTRITION PARTICIPATION (1999)

Average daily Summer Food Service Program participation	5,431
Percent increase in average daily summer food program participation since 1990	-29.1%
Number of Summer Food Service Program sites	98
Number of Summer Food Service Program sponsors	22
Federal funding for Summer Food Service Program	$680,522
Average daily participation in Summer Food Service Program and summer National School Lunch Program combined	8,737
Ratio of students receiving free or reduced price summer food or summer school lunch per 100 who receive free or reduced price lunch during the 1998-1999 school year	7.2

FOOD STAMP PROGRAM (FY1999)

Average monthly participation	128,790
Child participation (18 years old and under)	60,457
Average monthly number of households	54,254
Estimated percent of eligible persons participating (1998)	50-64%
Average monthly benefit per person	$66.89
Issuance (value of benefits issued)	$103,388,504
Administrative costs (federal share)	$9,743,105
Federal funding for food stamps (total)	$113,131,609

SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS AND CHILDREN (WIC) (FY1999)

Total number of participants	63,996
Number of women	14,618
Number of infants (under the age of 1)	14,485
Number of children (1 through 4 years old)	34,892
Percent increase in total participation since 1990	34.8%
Federal funding for WIC	$31,858,971

CHILD AND ADULT CARE FOOD PROGRAM (CACFP) (FY1999)

Family child care home average daily participation of children	10,583
Percent increase in child care home average daily participation of children since 1990	-42.9%
Number of participating family child care homes	2,121
Child care center average daily participation of children (includes Head Start)	18,477
Percent increase in child care center average daily participation of children since 1990	-1.4%
Number of participating child care centers	555
Federal funding for CACFP	$11,852,871

THE EMERGENCY FOOD ASSISTANCE PROGRAM (TEFAP) (FY1999)

Federal funding for TEFAP	$801,646

State Government Responses to the Food Assistance Gap 2000

States	Implementing Expanded Food Stamp Categorical Eligibility	Renewed/Applied for Food Stamp Area Jobless Waivers			Implementing Food Stamp Options of 1997 Balanced Budget Act		Food Assistance for Legal Immigrants	Food Stamp Outreach Efforts	Additional State Funds for Women, Infants and Children	Additional State Funds for Emergency Feeding
	CAT-EL	10%	LSA	OTHER	USING 15% EXEMPTIONS	USING EXE. FUNDS	LIS	FSP OUTREACH	WIC	EMERGENCY FEEDING
Alabama		•	•			•				
Alaska		•		•	•			• A		
Arizona	•	•	•		•	•		•		•
Arkansas	•		•	•	•	•				
California	•				•	•	•			•
Colorado	•		•	•	•	•				
Connecticut	•		•		•	•	•	•		•
Delaware	•					•				•
DC				•		•		• A	•	
Florida		•	•	•		•		• A		
Georgia				•	•	•		• A		•
Hawaii	•	•	•		•	•				•
Idaho	•	•		•	•					
Illinois	•		•	•	•	•	•			
Indiana			•		•	•				
Iowa						•				
Kansas	•				•					
Kentucky	•			•	•	•		•		
Louisiana	•			•	•	•				
Maine	•		•	•	•	•	•			
Maryland	•	•	•		•	•	•	• A	•	•
Massachusetts	•				•	•	•	•	•	•
Michigan	•					•				•
Minnesota		•		•	•	•			•	
Mississippi					•	•				
Missouri	•			•	•	•				
Montana		•	•			•				•
Nebraska	•			•	•	•	•		•	
Nevada	•	•		•	•	•				

Table 1 State-by-State Review of Pages and Question Data

	Application Page Length	Error Rate FY 1999	Reading Level of Certification Statement (Flesch-Kincaid Grade Level)	Are Any FSP Questions Separated From Other Services?	Nonessential Income Questions					
					Income Not in the Form of $	Vendor Payment	Children's Income	Gifts or $ From Friends, Charities and Relatives	Loans	Lump Sum Payments, Tax Refunds, EITC
AK	6*	15.94	12	Yes						
AL	19	11.29	12	N/A			•			
AR	8*	4.54	12	N/A				•		
AZ	14	6.93	12	Yes				•		
CA	21	11.34	11	Yes	•	•	•	•	•	•
CO	20*	9.02	11	Yes	•				•	•
CT	16	13.9	12	Yes	•			•		
DC	15*	12.12	12	No		•		•	•	•
DE	12*	16.92	12	Yes				•	•	
FL	1	9.43	12	No				•		
GA	5	10.86	9	Yes						
HI	11	6.82	12	Yes				•		•
IA	10*	9.27	12	N/A				•		
ID	4*	10.94	12	No			•			
IL	5	14.79	9	Yes						
IN	2	8.11	10	No						
KS	10*	8.98	12	Yes			•	•		
KY	17*	7.72	12	Yes				•		•
LA	6*	7.35	9	Yes				•	•	•
MA	8*	9.34	12	N/A				•		
MD	23*	13.62	12	Yes				•	•	•
ME	6*	8.79	12	Yes						
MI	16	17.59	12	Yes						
MN	36*	6.68	12	No	•			•		•
MO	4	8.58	12	No						
MS	21	4.91	12	Yes				•		•
MT	17*	8.1	12	No	•			•	•	•
NC	15*	9.25	5	N/A		•			•	
ND	24*	8.03	12	Yes				•		
NE	14*	14.22	12	N/A				•		
NH	10	12.86	12	Yes			•			•
NJ	16	12.93	12	Yes			•	•	•	•
NM	6	10.39	12	Yes						
NV	8	8.14	12	No	•			•	•	•
NY	8	10.47	12	Yes				•	•	•
OH	8	8.44	12	No						
OK	20	11.88	12	Yes			•	•		
OR	10*	10.5	9	No				•	•	•
PA	16	10.79	12	Yes						
RI	28	7.05	12	Yes	•			•	•	•
SC	5	5.79	12	No						
SD	20*	2.19	12	Yes				•		
TN	2	8.64	11	No						
TX	4*	4.56	12	No				•		
UT	12*	12.55	9	Yes			•	•	•	•
VA	14*	11.85	12	Yes	•	•		•	•	
VT	11*	12.09	12	Yes						•
WA	6*	8.55	12	No					•	•
WI	19*	13.42	12	Yes				•		
WV	33*	8.88	12	No			•	•		•
WY	3*	2.91	12	No						

*State has a "tear off" or page 1/part 1 of the application that can be turned in before the complete application to open the case.
*State does NOT list on the application that all that is needed to open the case file is the name, address, and signature.

	Nonessential Asset Questions								Electronic Fingerprinting		
Gov't Utility Assistance	Misc. Income Questions	House or Land	Personal Belongings	Burial Plots	Trust Funds	Life Insurance, Pensions	Tools, Equipment, Livestock, or Buildings Used for Income	Jointly Owned Property	In Use for FSP	Pilot Program for FSP	Planning Stages or in Use for Other Programs
		●									
●	● A,B			●	●		●	●			
●				●	●						
		●				●		●	●		
	● C,D		●	●	●	●	●		●		
			●		●	●					
●		●	●		●	●					●
				●	●	●	●				
		●	●	●	●	●					●
				●	●	●					
●	● E,H	●	●	●		●					
						●					
											●
		●		●	●	●	●	●			
			●	●	●						
●		●									
											●
●		●	●	●	●	●	●				●
				●	●	●		●			
	● F			●	●	●	●			●	
	● F	●		●	●	●	●	●			
●	● G			●		●	●	●			●
		●		●	●	●	●				
●		●		●	●						●
●				●	●	●	●	●			
	● H				●						
				●	●	●	●	●			
	● F		●	●	●	●		●			●
		●				●					
	● H,I	●		●	●	●	●				
	● J	●		●	●	●			●		
		●			●	●	●	●			
	● A						●	●			
				●	●						●
	● F	●	●	●	●	●		●			
											●
●	● K,L	●		●	●	●	●	●			
		●				●				●	
	● G			●	●	●	●	●			
	● F	●		●	●		●				
						●					
	● K	●		●	●	●	●	●			
				●	●						
●		●	●	●	●	●	●				
		●		●	●	●					

[A] Work Study [B] Jury Duty payments [C] Excess Child Support [D] Food from Communal Dining [E] Garage Sales [F] Gambling winning [G] Pell Grants [H] Income from Plasma Donation [I] Panhandling [J] Income of a stepparent of a child who lives with you [K] Bingo [L] GI Educational Benefits

A statistical analysis of this data shows that there is no correlation between the length of the application and the state's error rate.[63]

Food Stamp Program Participation

Five Year Change

State	April 1996	April 2001	% change April 1996 - April 2001
California	3,181,949	1,655,836	-48.0%
Delaware	59,220	31,921	-46.1%
Maryland	376,075	205,180	-45.4%
Texas	2,372,974	1,334,600	-43.8%
Massachusetts	377,723	213,894	-43.4%
New Jersey	544,319	313,016	-42.5%
Virginia	537,744	328,861	-38.8%
Colorado	250,279	153,368	-38.7%
Ohio	1,031,421	644,531	-37.5%
New York	2,116,249	1,334,260	-37.0%
Florida	1,360,768	868,857	-36.1%
Washington	486,508	312,471	-35.8%
Mississippi	460,764	296,758	-35.6%
New Hampshire	54,292	35,465	-34.7%
Pennsylvania	1,137,019	751,281	-33.9%
Arizona	430,362	284,753	-33.8%
Minnesota	297,765	198,365	-33.4%
Wyoming	33,955	22,967	-32.4%
Vermont	57,710	39,285	-31.9%
New Mexico	237,046	162,361	-31.5%
Michigan	926,336	638,216	-31.1%
Connecticut	223,511	156,474	-30.0%
Nevada	97,398	68,687	-29.5%
Georgia	795,621	563,146	-29.2%
Utah	111,577	79,091	-29.1%
Illinois	1,112,635	790,185	-29.0%
Iowa	180,996	128,745	-28.9%
West Virginia	303,634	216,354	-28.7%
Kansas	175,436	126,018	-28.2%
Oklahoma	355,938	256,674	-27.9%
Idaho	83,417	60,758	-27.2%
Wisconsin	289,387	215,907	-25.4%
D.C.	93,011	70,247	-24.5%
Louisiana	660,997	509,325	-22.9%
Rhode Island	92,201	71,325	-22.6%
Nebraska	104,091	81,170	-22.0%
Maine	134,454	105,901	-21.2%

7/17/01

Alaska	53,258	42,519	-20.2%
Alabama	507,160	406,322	-19.9%
North Carolina	605,663	485,728	-19.8%
Tennessee	644,210	522,908	-18.8%
Hawaii	130,196	107,290	-17.6%
Kentucky	488,873	413,781	-15.4%
Missouri	527,086	449,736	-14.7%
South Carolina	359,779	308,847	-14.2%
Montana	72,914	63,140	-13.4%
Indiana	392,751	349,980	-10.9%
Arkansas	278,540	256,408	-7.9%
North Dakota	40,932	38,800	-5.2%
Oregon	294,833	286,351	-2.9%
South Dakota	47,510	46,350	-2.4%
United States	25,629,243	17,140,134	-33.1%

Prepared by Food Research and Action Center, 1875 Connecticut Ave., NW #540, Washington, DC 20009; ph: (202) 986-2200; fax: (202) 986-2525; e-mail foodresearch@frac.org. July 2001
Source: Preliminary Summary of Food Assistance Program Results for April 2001, FNS Data Base Monitoring Branch, 6/27/01 Summary of Food Assistance Program Results for April 2001.

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Governor Thomas J. Vilsack and
Lt. Governor Sally Pederson

April 30, 2001

IV. Food Security Subcommittee

Members: Teva Dawson, Karen Ford, Dave Miller, Jeff Campbell, Ralph Wilmoth, Robert Karp, Judy Solberg, and Julia Thorius

Recommendation # 1 - Support the creation of a position of "Statewide Food Security Coordinator" who will:

- Coordinate inter-agency efforts to address barriers to current supplemental food programs;
- Foster cooperation between state and private non-profit led food security efforts; and
- Provide food security education and outreach.

Under this plan the Food Security subcommittees of the Iowa Food Policy Council and the Iowa Nutrition Education Network would merge and work together toward the goal set by Healthy Iowans 2010 to "reduce the incidence of food insecurity from the 1997 level of 8.6% to 5% by the year 2010." The Food Security Coordinator would facilitate collaboration among state run food security programs through management of the inter-agency task force assembled by the Iowa Food Policy Council and pursue the objectives developed by the task force. The Coordinator would be a member of, and work closely with, the Iowa Food Policy Council and would also help to coordinate statewide education and outreach on food security issues such as hosting an Iowa Hunger Summit.

Justification: A food-secure state means no one should go to bed hungry, which saves on health care costs, insures that every child gets a head start, and means more local jobs because more food is being produced locally. Food security as a long term goal can only be reached by cooperation and ongoing dialogue. In 1997, 8.6% of Iowans suffered from food insecurity according to the Food Research and Action Center. The following subgroups experience food insecurity most often:

- African Americans -- 25%
- Hispanics -- 27%
- Children living at 130% of the poverty level -- 41%
- Low-income elderly households -- 8%

Cost: For year 2001/2002, the Food Security Coordinator would be a half-time position funded in part by the Iowa Department of Public Health's BASICS grant (federal food stamp education dollars). These federal funds can reimburse the state 1:1 for state dollars spent in the area of nutrition education including food security targeting low-income citizens. Any funds the Governor allocates towards this effort can be matched to implement this recommendation.

Recommendation #2 - Form an Inter-Agency Task Force that would function as a subcommittee of the Iowa Food Policy Council, made up of representatives of all state

funded or administered programs connected to food security, hunger, nutrition and food safety. Programs and Departments should include but not be limited to:

- Food and Consumer Safety Bureau, Department of Inspections and Appeals
- Food Stamp Program, Department of Human Services
- Division of Latino Affairs
- Division on Status of African-Americans
- The Temporary Emergency Food Assistance Program (TEFAP), Department of Human Services
- Iowa State University Cooperative Extension
- Bureau of Nutrition and WIC, Department of Public Health
- Early Childhood, Elementary and Secondary Education, Bureau of Food and Nutrition, Department of Education
- Horticultural Bureau, Department of Agriculture and Land Stewardship
- Division of Community Action Agencies, Department of Human Rights
- Department of Elder Affairs
- Office of Public Transit, Department of Transportation

In conjunction and with the support of the Iowa Food Policy Council, direct this Task Force, under the guidance of the Food Security Coordinator, to:

- Identify services which might benefit from increased coordination where state and federal legislation allows;
- Better coordinate existing services, for example, by streamlining and simplifying state application procedures for food and nutrition related aid;
- Develop an annual food security report card for the State;
- Continue efforts to better harmonize nutrition education messages;
- Further expand nutrition education programs to include information on the value of locally grown foods and community gardening;
- Continue to make nutrition education programs and publications more responsive to diverse racial and ethnic populations in Iowa;
- Help implement, where appropriate, the proposals outlined in the Healthy Iowans 2010 report, such as the creation of a statewide Anti-Hunger Network; and
- Set up a means of receiving direct feedback on services and programs from consumers of those programs.

Justification: There are numerous state funded or administered programs that address hunger and nutrition issues among Iowans, yet at the present time there is no formal means of coordination or dialogue among these different programs, agencies and departments. Greater coordination, dialogue, and cooperation by these state departments, agencies, and programs could save money, generate more seamless and effective programs, and increase participation by target clients. Furthermore, emerging issues such as the increased cultural diversity of Iowans and the importance of fresh, locally grown food could be more readily addressed and effectively integrated into existing programs through the presence of such a Task Force.

Cost: No direct cost as the function could be performed by the Coordinator position addressed in recommendation # 1.

Recommendation # 3 - Direct the Department of Human Service to implement the following changes to the Food Stamp Program:

Recommendation 3A: Establish categorical eligibility between the Food Stamp and the Temporary Assistance to Needy Families (TANF) program allowing the state to change its cash program rule to establish better limits in both TANF cash assistance and the Food Stamp Program.

Justification: Last year President Clinton signed into law the FY 2001 Agriculture Appropriations Conference Report (H. Rept.106-948), which among other things improves vehicle value and shelter deduction rules for the Food Stamp Program. *The shelter cap took effect 3/1/2001.* The increase applies as families get certified or re-certified. The benefit to Iowans from the vehicle value increase allows the state, as of July 1, 2001, to apply more generous rules from the TANF program, and is intended to allow food stamp recipients to own a reliable car and still be eligible for food stamps.

Recommendation 3B: Change the application's reading level to the 6th grade. Reduce the number of pages while including as many pages as are necessary to receive essential but not superfluous information.

Justification: A recent report by America's Second Harvest (a non-profit organization addressing national hunger issues) shows the Iowa Food Stamp Application is 10 pages long and written at a 12th grade level.

Recommendation 3C: Without increasing staff, establish businesses hours (one early evening and Saturday morning) that would be more accessible for the working poor.

Justification: Many working Iowans are eligible for food stamps and cannot access them with current office hours.

Overall Justification: Iowa receives and administers $120 million in federal aid annually through the Food Stamp Program. In an average month, 141,000 Iowans participate in this program. It is intended to be the most basic hunger safety net across the nation, and yet the program has many challenges that need to be addressed.

Every ten years the Federal Food Stamp Program is re-authorized. 2002 will be the next opportunity to make significant changes to the program. Since enactment of the Personal Responsibility and Work Opportunity Reconciliation Act (PWRORA) both state administrators and advocates have come to agree that significant program changes are needed. Summary of federal program recommendations:

- Streamline and simplify food stamp eligibility, the application process and other administrative rules.
- Relax rigid quality control standards that focus more on penalizing states for errors and miscalculations than on creating access to the program for eligible families.
- Seek flexibility for states to allow households to retain more of their assets and income and still be eligible for food stamps.
- Restore food stamp eligibility to all legal non-citizens.

Cost - Possible increases in administrative expenses would be offset by increased efficiencies in program administration and benefit determinations.

Recommendation # 4 - Direct state funds toward administration of a Farmer's Market Coupon Program for Elders. The federal government has already committed $560,000 in funds to Iowa for this program. Without administrative support from the state, these funds will be lost.

Justification: Iowa has the second highest percentage of senior citizens of all the states. Iowa's senior citizen population will continue to increase while the percentage of Iowa adults who consume the recommended five or more daily servings of fruit and vegetables has decreased. Massachusetts, Connecticut, New York, New Jersey and Pennsylvania have already implemented state-funded senior coupon programs through their respective Departments of Agriculture. Those programs have coupon redemption rates averaging over 80%. There are 578 farmers currently enrolled in the State/Federal Women Infants and Children (WIC) Farmer's Market Nutrition Program (FMNP) to provide Iowa grown fresh fruits and vegetables to nutritionally-at-risk Women, Infants and Children. The proposed Farmer's Market Coupon Program for Elders would use these same growers to redeem coupons at the 125 Farmers' Markets throughout the state. This program would expand direct marketing opportunities for small farms while introducing Iowa's nutritionally-at-risk seniors to Farmer's Markets.

Cost: Extensive activities are underway in state government and by the Council to identify the potential sources of funds for this program and to determine the minimum financial resources necessary for an appropriate agency to initiate it.

Recommendation # 5 - The Governor request the Iowa Department of Agriculture and Land Stewardship to expand participation in the WIC FMNP to include farm-stands, orchards, and other forms of on-farm direct marketing, as allowed under existing United States Department of Agriculture (USDA) rules.

Justification - By doing so the agency will increase the opportunity for Iowa farmers to participate in the program and, more importantly, expand the number of nutritional at-risk woman and children eligible to participate.

The Des Moines Register
A GANNETT NEWSPAPER

Page 10A Wednesday, June 27, 2001

the impression our main point was to call attention to some merates might the problem. different from the claim in the article that we have accused the media of

Thank: article addressing media violence and aggression. I would like to express disappoint- scussion ding. Researchers have worked hard to show conclusively that media violence is a significant contributor to societal aggression.

Yet, non-researchers don't learn of the media depictions' true power. Why? Bushman and Anderson note the media may be at fault, but they also describe ways researchers, too, may contribute.

I would hope Monroe and others would think about what the media could do to more accurately present research. A cordial, respectful relationship between researchers and media could be part of that process.

—Brian C. Smith,
119 Golf View Dr., Osceola.

Feed schoolchildren in the summer

Regarding Anna Quindlen's June 14 column, "Hunger in America":

For kids living in Iowa City, Des Moines, Waterloo or Davenport, it is good news. These communities have sponsors and sites for the summer feeding program. In the majority of small cities, rural towns and farming communities, there is no substitute for the national school-lunch and breakfast program.

Less than 5 percent of the participants in the free or reduced-price school lunches have access to a summer feeding program.

Twenty years ago, there was opposition to establishing school breakfast programs — too expensive, that's a mother's job, kids won't ride the bus. In the 1999 to 2000 school year, 86 percent of Iowa's school districts had established both lunch and breakfast programs.

Making sure no child goes to bed hungry, whether it's January or July, is an achievable goal for Iowa. There are countless ways to win the fight from local initiatives to federal food programs. The key is "The sooner you believe it, the sooner we can end it."

—Karen Ford,
executive director,
Food Bank of Iowa,
2220 E. 17th, Des Moines.

Parties share blame for cuts

Gov. Tom Vilsack and Register columnist Shirley Ragsdale are both right about the consequences of continued underfunding for state social services ("Perfection at DHS? No, But More Money Would Help," June 20).

Ragsdale is also absolutely right when she lays part of the blame on the anti-tax fervor that includes politicians from both parties and many voters.

What disappoints me most is the likelihood that both political parties will try to use this issue next year to cover their own mistakes rather than try to solve the problem. Iowans affected most by these cuts will continue to suffer.

Ragsdale and reporters ought to ask why Vilsack signed the social-services appropriation bill if he believed it as inadequate as he now says it is?

Did he show any leadership at the time besides talking about the issue?

Legislative leaders should also receive greater scrutiny for their role in the budget cuts and our current fiscal mess.

—Jon Euchner,
500 S. Fourth St., Indianola.

U.S. a rogue nation, too?

The president's reason for a new defense initiative is to be prepared for rogue nations like North Korea. The approach that President Bush and Secretary of State Colin Powell are using in Europe is more like "in your face arrogance."

The United States, under the present leadership, is fast becoming the rogue nation.

—D. R. Hemerson,
321 Eighth St., Sheldon.

Quit whining, and find your own fun

The beat goes on about young people not finding enough to do in Iowa ("Teen Youth Group Voices Concerns About State," June 19).

Melanie Reed, youth-development specialist, was quoted as saying, "This is a group of extremely intelligent and enthusiastic people."

Yet, in the same article, a youth from Osceola says his classmates drink alcohol because there's little else to do in the "crappy little town." That doesn't sound like an intelligent comment to me.

I spent a major part of my formative years in an Iowa town much smaller than Osceola. We learned to entertain ourselves in constructive ways with sports, Boy Scout work, fishing, yardwork, hiking, gardening and reading.

Cut the whining, and demonstrate a little more intelligence and enthusiasm for life in this fine state.

—Max D. Isaacson,
610 S. 35th St.,
West Des Moines.

Tax rebate a diversion

The $600 tax rebate will pay just half of my increased utility costs this year due to increased prices. I think the major purpose of this rebate is to divert our attention from what this new administration is actually doing to us and for them.

—Archie Rohden,
3919 76th, Urbandale.

Protect patients' rights

The Bipartisan Patient Protection Act of 2001, introduced by Senators John McCain and Ted Kennedy, would give millions more Americans important protections.

Those protections include provisions that hold HMOs fully accountable for their mistakes and the subsequent injuries consumers suffer, and decisions are made by medical experts and not by health-insurance bureaucrats.

This legislation is the only strong patients' bill-of-rights proposal that puts the citizens of Iowa before HMO profits.

Iowa's lawmakers are at the heart of the debate over patients'-rights legislation since Senator Charles Grass-

HOW TO WRITE TO US

We welcome contributions to the letters column and Opinion page. Due to space limitations, short letters and commentary stand the best chance of being accepted for publication, and all submissions may be edited for length, accuracy and clarity. Letters and guest opinions submitted to The Des Moines Register may be published or distributed in print, electronic or other forms.

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ANGUS S. KING, JR.
GOVERNOR

KEVIN W. CONCANNON
COMMISSIONER

Testimony of Kevin W. Concannon
Commissioner
Maine Department of Human Services
Before the
Senate Committee on Agriculture, Nutrition, and Forestry
July 19, 2001

Mr. Chairman and members of the committee, I am Kevin Concannon, Commissioner of the Maine Department of Human Services. I am very pleased to appear before you today to discuss the Food Stamp Program.

The Food Stamp Program is of vital importance to the State of Maine. Maine ranks 37th in per capita income. The ability of households to maintain a nutritional support system is heavily reliant on access to the benefits provided by the Food Stamp Program. Maine ranks 4th in the nation in participation rate among those households that are eligible for the program. According to a UDSA report, Maine reaches approximately 82% of eligible households. Over 53,000 households and 100,000 individuals receive Food Stamp benefits monthly. Annually this represents approximately $84 million dollars to the Maine economy.

The focus in Maine with regard to the Food Stamp Program has been on access. While in TANF we have experienced approximately a 55% decline in the caseload, our decline in Food Stamps has only been about 18% from its highest point to current. We believe the largest influence has been the message we deliver to recipients. When a household applies for public assistance, they must attend an orientation. During the presentation, staff stresses the availability of resources to households including Food Stamps, medical assistance and other supportive services. We see the Food Stamp benefits as an important transitional benefit for working households, while perhaps a longer term benefit for the elderly and disabled to achieve appropriate nutrition. Maine has taken

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advantage of some available options and waivers to implement this approach. However, nationally with the changing caseload mix, working households are finding it more difficult to fulfill the requirements for reporting changes and recertifications.

Even the options and waivers currently available do not come close to addressing some basic faults that have accumulated in the Food Stamp Program over its long history. The program's basic eligibility structure is left over from the days when most recipients did not work but instead drew steady Aid to Families with Dependent Children (AFDC) checks. The Food Stamp Program has been added to and subtracted from around the margins for years, but has never undergone the basic modernization it must have to reflect the needs of present-day working families and to mesh successfully with flexible programs like TANF and Medicaid.

Along with the efforts to enhance access to the program, we acknowledge the responsibility to assure program integrity. The degree to which each is achieved requires a delicate balancing. Too often in an effort to improve program integrity unnecessary barriers are created. We think progress on access, while maintaining integrity, can be achieved.

The states through APHSA have addressed many concerns to be considered during the reauthorization process for the Food Stamp Program. We support the recommendations outlined in the APHSA "Crossroads" document. I have attached for the record the APHSA recommendations for a thorough reform of the Food Stamp Program. I would like to briefly outline some of those recommendations.

Simplify Food Stamp calculations. Current design of the Food Stamp Program contains complicated requirements regarding the calculation of benefits. These requirements focus on gross test, net test, household composition, shelter

costs, child care and medical expenses. All these variables first are difficult for the recipient to understand and then for the state agencies to accurately calculate. Failure of recipients to understand these requirements may discourage them from applying. Simplifying the calculations, perhaps by using net income levels per household size regardless of individual expenses, would make the program more accessible and more manageable. Recipients would be able to access the program without the barriers of two income tests, however, one of the most important features of the current food stamp program is the fact that it is designed to target benefits to those most in need. The Program can and should be simplified, but simplification must not undermine this fundamentally important goal of targeting. For example, the program must continue to be able to serve those with little income left over after they pay high shelter expenses.

Simplify processing. Recipients do not understand why the various programs require different things. As a result they rarely report the right things, to the right program, at the right time. We need to look at the regulations of three major programs, Food Stamps, TANF, and Medical Assistance and develop ways to ensure a seamless access to all three. Time standards, recertification periods, verification procedures and reporting requirements for all three programs need to be melded in such a way to lift barriers for our low income working families and to ease the administrative burden on states. States need the flexibility to design these program requirements to meet the needs of the populations being served to further lift any barriers to access while maintaining program integrity.

Simplify Household comp. The household composition rules for the Food Stamp program are outdated. The requirement of "separate" household status needs to be revisited. Currently, a child must be part of his parents' household until he or she reaches the age of 22 regardless of the manner in which food is purchased or prepared. Most families consider children to "be on their own" once they attain the age of 18. Many families do not know the

earnings or spending patterns of their children after the age of 18, yet heads of households are held accountable for accurately reporting such information to the state agency. Mandating households to be considered in this manner is cumbersome for the parent and error prone for the benefits.

Simplify assets. With the advent of welfare reform and recent interpretations regarding categorical eligibility, some states, such as Maine, no longer subject families with children to an asset test. However, the limit on assets, particularly vehicles, is very low. There is no question that individuals need reliable transportation in order to get and maintain employment. In many areas of the country, including Maine, there is very little public transportation. Ownership and use of a vehicle is expensive and it is necessary. The Food Stamp Program needs to reflect that.

For most households the asset limit is currently $2,000. This amount does not go far in a crisis situation especially for working families with children. This figure needs to reflect a more reasonable cushion to support families. Households should be allowed and encouraged to plan for the future by exempting all retirement accounts and education savings accounts.

Transitional benefits. The idea of transitional benefits is a good one. When first introduced it was for a period of three months. Maine supports the APHSA "Crossroads" suggestion that it be for a six month period. The six month period would align with the time frame for Transitional Medicaid.

Enhance benefits to the elderly and disabled. At the present time, there is a minimum benefit of $10 for one and two member households of this group. We believe that many of our elderly and disabled population forgo this allotment, as it is "not worth the bother". Along with regulations, which create barriers to access for the Food Stamp program, their own pride causes

recipients to forgo benefits that could provide them more nutritious meals. They need incentives to bring them into the program. The minimum benefit needs to be increased to at least $25 a month.

EBT. The EBT (the electronic benefits transfer) program has proven to be a very effective endeavor in states that have been successful in implementing the program. The State of Maine has not been as fortunate as most other states in this effort. Maine was very fiscally responsible in its efforts in issuing coupons through the mail system. As a result, with the advent of EBT, we will need to spend approximately four times as much in issuing benefits by way of EBT. We believe that this mandate should come with far more than the current 50-50 match, and that the present cost-neutrality cap must be removed.

Performance measures. The current system of measurement, the Quality Control system must be overhauled. It is incredible that a system is in place that results in a failure rate of 50%. Currently a state can vastly improve program integrity over the course of a year and still be penalized for being over a national average. A state should be measured by its successful achievement of improving access and performance. This could be done on a biannual basis with comparisons being made not with other states but with its own previous ratings.

Performance measures should take into consideration the impact that welfare reform has had on the caseload, for example, the proportion of families with children in which a parent works has grown significantly in recent years. This was the goal of welfare reform and it is being achieved in states throughout the country. Federal welfare law rewards states for meeting this goal, yet in the food stamp program we still see the unintended result of punishing states for doing a good job of serving these same working poor families who have left TANF through the current quality control structure. Working households are typically more error prone than cash assistance households because their income often fluctuates. The goals of both programs must be harmonized to

reward work, and to ensure that states themselves are not punished for promoting that goal.

Maine has a very good and needed Food Stamp program. It makes a significant health and quality of life contribution for Maine people. We have taken advantage of many options and waivers and we will continue to strive toward a common goal of access and program integrity. We appreciate the assistance and cooperation we receive from our federal partners at the Food and Nutrition Service in Boston and we look forward to working with them and others as Food Stamp reauthorization is discussed.

Celine Dieppa
Manchester, Connecticut

Statement before the Senate Agriculture Committee

July 19, 2001

Good morning. Thank you for giving me the opportunity to talk with you today.

My name is Celine Dieppa and I live in Manchester, Connecticut. I am a working mother of a four-year-old daughter, Malexis.

I work at Shop Rite of Manchester, a local supermarket. At my job I do a little bit of everything — I work as a cashier, at customer service and at the lotto desk. I usually work 30 to 35 hours a week, but sometimes I get the chance to work 40 hours or more. I am there six — and sometimes seven — days a week. I earn $7.00 an hour. I pay for rent and utilities, and although I do get help with child care costs, I still have to pay $40 each month out of my pocket.

I have been participating in the Food Stamp Program, on and off, for four years. This program has made a big difference for me as I've worked to provide the best for my daughter. I usually receive about $60 to $70 each month in food stamps, but since my income goes up and down, so does the amount of food stamps I get. There are times that I may get just $10 or $20 a month. I really appreciate the help I get from this program, yet there are times when it just isn't enough. Sometimes it can be really hard to afford even the basics — like milk for my little girl. There have been times that I have had to go to an emergency food pantry to supplement what I

could buy in the store. The first time I had to do this I felt embarrassed and hurt that I needed this help even though I was working.

It can be a real challenge and sometimes very frustrating for a busy, working parent like me to remain on the Food Stamp Program. Each month I have to submit a monthly report that asks for information about all my income in the last four weeks, my child care expenses and the child support I received. In addition to filling out the form, I have to attach documents to prove that everything I write on the form is true. I have to be very organized, making sure I keep all my pay stubs and letters and copies of checks. I need to make copies of everything and get the paperwork in on time. If I lose something or I am late, I run the risk of getting cut off the program. I do get health coverage for my child through the state's HUSKY program and I am not asked to report monthly in that program.

This month I am not getting any food stamps at all because I was able to work many more hours than usual last month. But, I am back to my regular work schedule now and I hope that when I submit my report next month I will not have trouble getting back on the program.

Having help from the Food Stamp Program means so much to me and my child. If you can do something to make it easier for working families like mine, who are trying to balance work and meeting the requirements of social services programs, it would be a great help.

Thank you for listening to me this morning.

Testimony of Dean M. Leavitt

Chairman and CEO, U.S. Wireless Data, Inc.

Wireless EBT Card Acceptance at Farmers Markets

Before the U.S. Senate Committee on Agriculture, Nutrition and Forestry

July 19, 2001

Good morning Mr. Chairman and Members of the Committee.

My name is Dean Leavitt and I am Chairman and Chief Executive Officer of U.S. Wireless Data, a New York City-based company specializing in the processing of wireless payment transactions.

I thank you for the opportunity today to discuss the benefits of a new technology my company has developed which provides farmers with the ability to wirelessly accept EBT (Food Stamp) cards, credit cards and other forms of "plastic" payment instruments at farmers market locations throughout the United States.

As you are well aware, the Food Stamp Fraud Reduction Act of 1993, as proposed by Senator Leahy of Vermont, mandated the migration of the Food Stamp entitlement program from what had historically been a paper coupon-based system to one that would utilize electronic benefit transfer (EBT) technology. As part of the implementation of that Act, grocery store owners were provided with electronic point of sale systems which would allow them to accept the newly issued EBT cards to program beneficiaries. The point-of-sale equipment was provided to the storeowners at no cost to them. In addition, in most cases, the costs associated with the phone line required for the authorization of such electronic transactions, was also provided at no cost to the storeowner. The cost of the point-of-sale equipment was approximately $500. The cost of the phone lines, depending on the geographical area ranged from approximately $50.00 to $200.00 for the initial installation and from approximately $10.00 to $50.00 per month for basic services.

The Problem

By all measures, the implementation of the Act has been a tremendous success in terms of both the reduction in Food Stamp related fraud as well as the convenience and efficiency the system offers the program beneficiaries and store owners.

However, one of the unintended consequences of the Act was that the farmers markets, once a source of well priced, fresh fruit and vegetables for Food Stamp beneficiaries, were, by virtue of this implementation, immediately foreclosed out of EBT card acceptance due to the unavailability of electrical outlets and telephone lines for electronic point-of-sale systems.

As such, over the seven years since the implementation of the Act, there has been a dramatic fall-off in the visitation of farmers markets by EBT program beneficiaries for the purposes of purchasing fruit and vegetables. Instead, program beneficiaries have had little choice but to either purchase their produce at commercial supermarkets and grocery stores or to cut back on such purchases completely.

The Solution

Starting in September of last year, U.S. Wireless Data has been working closely with the USDA and the State of New York in a rollout of a wireless transaction processing solution for farmers participating in the farmers market program in the New York metropolitan area.

The initial pilot program, which extended from September to December, included approximately forty-five farmers in the New York City area.

Under the pilot program, farmers were provided with wireless devices (housing U.S. Wireless Data's proprietary software) that wirelessly submit transactional data to U.S. Wireless Data's host facility. The transactions are then "switched" out to the appropriate authorization facilities that either approve or decline the transaction. If the transaction is approved, the terminal prints out a receipt, which is handed to the EBT card user for their records. As with the landline based EBT program, the funds are then directly deposited in to the farmer's account.

In addition to EBT cards, the point-of-sale terminals were also programmed to accept commercial credit cards (MasterCard, Visa, American Express, Discover) and debit cards (ATM cards).

The program ended in December with the end of New York's farming season.

As the pilot program was a success, starting in June of this year, U.S. Wireless Data, again in concert with the USDA and New York State, started an actual commercial rollout of the program. As of this date, two farmers are participating in the program, which, by all counts, is running without incident.

In Conclusion

Offering wireless EBT card acceptance to farmers participating in the farmers market program not only offers EBT beneficiaries the opportunity to expand their choices and return back to their favorite venues for the purchase of well priced fresh fruit and vegetables, but it also helps to "level the playing field" between the larger supermarkets and grocery stores who have had the benefit of EBT card acceptance for seven years and those farmers that have been unable to realize an important component of their revenue stream that they enjoyed prior to implementation of the Act.

We at U.S. Wireless Data wish to commend Congress and the Department of Agriculture for realizing the importance of both the EBT and farmers market programs and the need to make such programs available to the widest possible audience.

To that end, Mr. Chairman, my staff and I are eager to work with you, your Committee and the USDA in a concerted effort to find a way to rollout a nationwide wireless EBT card acceptance program.

I am confident that U.S. Wireless Data is well positioned to continue its role as both the provider of the required state-of-the-art technology and the implementer of the EBT wireless program to the farmers.

I thank you again for this opportunity.

Testimony
Before the Committee on Agriculture,
Nutrition and Forestry, U.S. Senate

For Release on Delivery
10:00AM EST
Thursday, July 19, 2001

Food Stamp Program:

Prescribing a Miracle Drug

Statement of Dr. Deborah A. Frank, Director
Grow Clinic for Children at Boston Medical
Center, and Principal Investigator, Children's
Sentinel Nutrition Assessment Program

Children's Sentinel Nutrition Assessment Program
With major funding from the W.K. Kellogg Foundation

Senator Harkin and members of the committee,

I am honored to come before you representing the pediatric researchers of the Children's Sentinel Nutrition Assessment Program (C-SNAP) and pediatric clinicians who daily treat malnourished American children. It is for those children that we speak, since they are too young to speak for themselves. Over a three-year period, C-SNAP monitored the impact of current public policies and economic conditions on the nutritional and health status of low-income children less than 3 years old in six medical institutions in Baltimore, Boston, Little Rock, Los Angeles, Minneapolis and Washington. The C-SNAP research was principally funded by the W.K. Kellogg Foundation, as well as other foundations and private donors.

If you could join physicians on the ward and in the clinics and sit in on our scientific meetings, I do not think it would be difficult to enlist your support for expanding Food Stamps to protect the health of America's people. There is hard medical data, found in the attached bibliography, that Food Stamps make a dramatic difference in the food security of families with children who live pay-check-to-pay-check; and even clearer medical evidence that food security is essential for health. The stories of the families we care for confront us daily with the stark reality, not found in any medical textbook, that as the cost of housing and energy prices increase, disproportionate to wages and benefits, many working poor and low-income parents face the often insurmountable balancing act trying to find resources to pay rent, have gas to get to work, and still put enough food on the table to keep their children healthy and learning. As community health providers our teams dedicate an incalculable amount of time to assisting families with the pitfalls and traps of filling out applications, understanding requirements and re-certifying for the FSP, the application which for which is much longer (and harder to understand) than the one I fill out each year for my medical license.

As clinicians and scientists we know that food insecurity (defined by the USDA as "limited or uncertain availability of nutritionally adequate safe foods or limited or uncertain ability to acquire acceptable foods in socially acceptable ways") is not a political or a sentimental issue but a major and preventable health problem. Nationwide and state-based rates of food insecurity are well known and documented, but they do not tell the whole story for the most vulnerable children. In the state of Minnesota, for example, between 1996-1998 the prevalence of food insecure households was almost 10% of the state's population. However, in our C-SNAP sample of poor families with young children living in the Minneapolis-St. Paul area, the prevalence of food insecurity was an astonishing 24%.

Food insecurity threatens health at all stages of life, but particularly in prenatal life and early childhood when the critical growth occurs. Hunger threatens the well being of the next generation even in the womb. It is the first step in a continuum between poor nutritional status and ill health. The nutritional status of a woman as she enters pregnancy, and the amount of weight that she gains during pregnancy, are critical predictors of infant birth weight. Mothers' nutritional status is a critical predictor of low birth weight, the most important contributor to infant mortality. The lower the birth weight the more likely that a child who survives will suffer from lasting impairments and school failure. Even into adulthood low birth weight's effects are seen as a strong predictor of cardiovascular disease.

Likewise, micronutrient deficiencies that arise from inadequate maternal nutrition--even in the presence of adequate maternal weight gain in pregnancy-- can have devastating consequences. There is a well-established relationship between inadequate maternal folate intake at the time of conception and the risk of neural tube defects (spina bifida) in children. This is a particular concern since non-elderly food insecure woman have been shown to have

seriously inadequate intake of folate, along with other critical micronutrients such as Vitamin E and calcium.

After birth, nutrition continues to exert major influences on health and development. At all ages malnutrition impairs immune function leading to the infection/malnutrition cycle. With any acute illness all children lose weight. However, in privileged homes once the acute illness is resolved, children rapidly rebound increasing their dietary intake to restore normal growth . For many low-income families, where food supplies are uncertain even for feeding well children, once a nutritional deficit has occurred due to normal childhood illnesses scarce resources oftentimes means there is no additional food to restore a child to their former weight and health. The child is then left malnourished and more susceptible to the next infection, which is likely to be more prolonged and severe, and followed by even greater weight loss. It is this infection/malnutrition cycle, which in this country often manifests itself in preventable recurrent illnesses and utilization of costly health resources (the famous spend now on Food Stamps-- or pay later with Medicaid, SSI). This relationship between malnutrition and infection persists throughout the life span and is well established as a factor contributing to mortality and morbidity in the elderly.

Even with refeeding and medical care, malnutrition can inflict concurrent and lasting deficits in cognitive development: posing serious implications for the malnourished child's future ability to participate in the knowledge economy. The last two prenatal trimesters and the first years of life constitute a critical period of brain growth, a time when the brain has biosynthetic ability to generate new brain that it will never have again. Different regions of the brain undergo their critical development at different developmental periods. Lack of nutrients available to the brain during a critical period will lead to deficits in the part of the brain under development. As knowledge of the importance of nutrition for proper brain functioning has

evolved, awareness has grown that although brain size and structure can be most affected by malnutrition in early life, brain function can be seriously affected at any age.

Even long before seeing any measurable deficits in body size, malnourished children may miss many opportunities for learning. The first physiologic strategy in the face of inadequate nutritional intake is for a child to decrease their "discretionary activity," their voluntary exploration of the environment and interactions with other people. Such discretionary activity is essential for children's learning about the inanimate and social world. Once the health professional can notice signs and symptoms of malnutrition in a child physiologically, there have already been many opportunities of missed learning that were not detected previously. Early and concurrent malnutrition are critical and entirely preventable causes of school failure from cognitive impairments, attention and behavioral difficulties. As my neighbor, a 5th grade teacher for new Americans worried about a hungry little girl in her class described to me – "she's sick a lot, she comes to school, but some days it is like she is not there – her skin is dull, there is no spark in her eyes, she wants so much to please, but some days she can remember and learn and the next day she can't." Scientists have confirmed the observations of this gifted teacher in large samples of American children. A recent article by Dr. Alaimo in the journal of Pediatrics, which is appended to the testimony, based on the government's own NHANES III data shows that food insufficient children (whose families "sometimes or often did not get enough to eat") aged 6-11 have significantly lower arithmetic scores, and are more likely to repeat a grade, and have more trouble getting along with other children. Food insufficient teenagers were 3 times more likely to be suspended from school than 1 food sufficient teens. No amount of standardized testing will alleviate the impact of hunger on children's ability to learn – to educate children first you must feed them. From conception through high school tomorrow's future work force must be sufficiently well-nourished to participate fully in an information economy.

In light of the multidimensional health and developmental effects of food insecurity and inadequate nutrition on humans during the life cycle, it is very disturbing that C-SNAP, in a survey of 8000 families with children under 3, found those whose food stamp benefits were terminated or decreased show significantly increased rates of food insecurity, a finding confirmed by many other surveys of poor families. We have also shown that families of young children under 3 on waiting lists for subsidized housing and those who have experienced housing instability (more than 2 moves in the past year) are substantially more likely than others to suffer food insecurity. Other work by my colleague, Dr. Jennifer Kasper, found legal immigrants, our new Americans, and their children are even more likely to be food insecure than other poor families (a finding we have confirmed in C-SNAP). These increased rates of food insecurity among the families of the youngest Americans trouble us greatly, since we have also found in C-SNAP that food insecurity is strongly associated with not only with poor maternal health and depression which impede parenting, but with children under 3 being in poor health, anemic, and requiring increased numbers of hospitalizations. (I would point out that a single 48-hour hospitalization, besides being traumatic for child and family, costs federal benefit programs more than a year's food stamp benefits for a child!)

I have been told that the Kennedy-Spector bill (S.583/H.R. 2142) would restore food stamps to legal immigrant families, provide outreach and information to eligible families who do not know they are eligible, and increase the minimum monthly benefit, measures which in medical terms I would call STAT (urgent) to protect poor Americans and their children whose health is in acute jeopardy. At our Little Rock, Arkansas C-SNAP site, a 17 month old diagnosed with Failure to Thrive from a rural, poor household with a net income less than $1300 a month, kept running out of her month-long prescription of the nutritional supplement Pediasure. When the hospital social worker inquired the parents confessed that they and the child's 7 other siblings

were sharing it with her because their Food Stamps and WIC allotment was not enough to get them through the month. Even in the rural areas where our food is raised, many families are hungry.

I have also been informed that there have been suggestions to no longer offer shelter cost deductions in calculating families' food stamp benefits. If pediatric housestaff suggested a similar measure to me on the wards, I would tell them I thought the idea was NSG (not so good)!

The WIC program, a critical source of foods high in nutrient density, was designed at a time when it was anticipated that it would serve as a supplement rather than as a sole source of nutrition and thus does not provide adequate energy for participants, except infants under 4 months of age. From our C-SNAP research we have found that WIC receipt did not buffer children from the health consequences of the loss of food stamps. Both programs together are necessary (although at current food stamp benefit levels, not always sufficient) to protect the health of young children.

Distinguished members of the committee, I am here today to urge you to prescribe a miracle drug for America's families. This miracle drug decreases premature birth, enhances immune function, improves school achievement and behavior, and saves millions of dollars in hospital stays and visits to emergency rooms each year; yet millions of American children and their families are deprived of this drug and those who get it often do so in doses in adequate to protect their health. This miracle drug is enough nutritious food. The pharmacy that dispenses it is the Food Stamp Program, and you are the physicians that prescribe it.

In conclusion, hunger is a child health problem, hunger is an adult health problem, hunger is an education problem, an economic problem, and an American problem. With appropriate political will it could be no problem.

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Oral Testimony
Committee on Agriculture, Nutrition, and Forestry
United States Senate
19 July 2001

Presented by: C Garza MD, PhD, Professor, Division of Nutritional Sciences, Cornell University, Ithaca, NY

Chairman Harkin and other Committee Members. Good morning. I am Cutberto Garza, Professor of Nutritional Sciences at Cornell University. Thank you for the opportunity to speak with you. I have had the unique privilege of chairing several efforts related to agriculture and nutrition over a relatively short period. Chairing the 1999 Dietary Guidelines Advisory Committee, the Institute of Medicine's Food and Nutrition Board, the US-EU Biotechnology Consultative Forum, the United Nations University's Food and Nutrition Program, and on-going efforts to revise international growth standards for infants and young children provides a unique domestic and international perspective on nutrition and agriculture.

The compelling message delivered consistently in each of the activities I chaired was that the public has moved beyond major concerns related to classical nutrient deficiencies. And, although they remain concerned with diseases of nutrient excess, they expect that the food supply not only protect us from disease, but also help us achieve a state of well-being that transcends the absence of disease for the longest possible duration at little or no risk. These aspirations should not surprise us. Public expectations related to the food supply have increased steadily in the last 100 years and are likely to increase further.

Fortunately, these expectations are not misplaced. Our limited, but expanding understanding that what we eat can promote optimal development and protect or

predispose us to diet related diseases supports the public's expectations. And these expectations also are supported by our increasing abilities to manipulate the composition of our food supply.

Thus, the significant domestic and international interests in nutrition, health, food, and agriculture and our expanding scientific capabilities place us in an extraordinarily privileged position. We should maximize our undisputed advantages in these areas by strengthening USDA programs that sponsor peer reviewed research, improving our nutrition survey capabilities, and assuring that domestic and international programs related to food and nutrition both reflect the best scientific understanding and are of a breadth and scope that match our achievements.

Unfortunately, however, neither the country's nor the world's nutritional health reflects the public interest in diet and health or the growing scientific understanding of the role of diet in genetic regulation. Time permits that I review only two examples of my concerns. The first relates to the need for more cohesive approaches for preventing childhood obesity and the second is to strengthening approaches for tackling childhood malnutrition internationally.

Data from US nutrition surveys from the last thirty years indicate that the childhood prevalence of obesity has increased relentlessly in the United States. In the early 1970's four percent of children 6 to 11 years of age and six percent of 12 to 19 year olds were classified as obese. By 1999, the prevalence of obesity among young children more than tripled to approximately 13% and more than doubled to 14% in older children.

More alarming is that this trend speaks only to elusive averages. These numbers are worse when we examine trends among children who are likeliest to be poor, i.e. by 1994

the rate of obesity among Mexican American children 6 to 11 years of age was an astounding 17%, for African American youth 12 to 19 years it was 15% and 16% among all poor children. The group responsible for harmonizing nutrition activities within the UN system sounds a similar alarm for the world. Although incompletely understood, food insecurity, i.e. the lack of confidence that food will be accessible consistently, appears to increase the risk to overweight and obesity.

These trends alert us to serious short- and longer-term health problems that are exemplified by the growing number of children with type 2 diabetes, a condition also known as adult onset diabetes because it was exceedingly rare in children. Now, the American Diabetes Association warns us that Type 2 diabetes is commonly a disease of childhood onset. Obese children also are at risk to heart, skeletal, and other abnormalities. And, there is a growing body of evidence suggesting that nutritional problems in the parental generation will have adverse long-term effects on their children.

All the reasons for these alarming trends are not clear whether we look domestically or internationally. With little doubt, nutritional, social, behavioral, cultural, environmental, and other biological factors conspire to produce a positive imbalance between energy intake and expenditure in ways that are understood incompletely. More worrisome still is that unwanted weight gain is very difficult to reverse. Thus prevention is key. A comprehensive and systematic assessment of the biologic and environmental factors that are responsible for these trends and the development of a cohesive strategy to prevent childhood obesity needed to bind the numerous public and private efforts striving to cope with the status quo and reduce the prevalence of overweight and obesity.

In an analogous manner the causes of malnutrition also are complex. A comprehensive strategy also is needed to tackle it. The number of malnourished children in the world remains intolerably high in part because we lack a sufficiently bold vision to minimize it. We know the "recipe" for making healthy children. Good nutrition is a key ingredient, but not a magic bullet. I am concerned that the overdue recognition of micronutrient deficiencies is creating the illusion that supplying a few micronutrients will solve the problem of malnutrition. Although, tackling micronutrient deficiencies is an obviously important start, it will not be sufficient. Fortunately, current knowledge permits us to act more comprehensively. The bipartisan "food for education" bill sponsored by Chairman Harkin, Senator Lugar and a number of other Agriculture Committee Senators and promotes an international school feeding program is an example of an effort that is responsive to humanitarian needs while reaching simultaneously for worthwhile educational and biological outcomes. As proposals of this type are explored, critiqued, and championed more broadly, partnerships should be encouraged that link them to programs tackling malnutrition in other critical life stages. Thus, a program meeting food needs during key developmental periods in school aged children can strive to deal with hunger, tackle micronutrient deficiencies, improve the education of young women, enhance learning, and, in the longer term, establish self-sustaining, health promoting behaviors associated with improved educational achievement.

In summary, we have some remarkable opportunities. The success of our agricultural system permits us to look beyond survival to well being at every life stage. It is my hope that the farm bill backs these advantages.

Thank you again for the time to share my views with you.

DOCUMENTS SUBMITTED FOR THE RECORD

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U.S. Senate
Committee on Agriculture, Nutrition and Forrestry
The Honorable Tom Harkin, Chairman

Testimony for the Record
Secretary Jennifer Reinert
Wisconsin Department of Workforce Development
July 19, 2001

Since the passage of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, dramatic numbers of people in our state have moved off the cash assistance rolls and have found and retained employment. In Wisconsin today, less than 7,000 families now receive cash assistance.

As welfare reform has progressed and more people have moved into the workforce, the provision of support services has become a key part of the package necessary to ensure job retention as families continue their efforts toward full self-sufficiency.

In Wisconsin, we have been able to expand health care benefits to low-income working families through a federal/state partnership called BadgerCare. As a result, more than 115,000 children and their parents have Medicaid coverage. This represents a 30 percent increase in covered families in the last two years.

We have also been able to secure and streamline federal matching funds to greatly expand available quality child care services. Wisconsin now serves more than 42,000 children from 24,000 families through Wisconsin Shares, our child care subsidy program for low-income working families. This represents a 40 percent increase in the child care subsidy program over the last two years

Unfortunately, our ability to meet the needs of working families and promote good customer service when it comes to the Food Stamp Program has not kept up with these other programs. Instead, Wisconsin, similar to other states, has been hampered by the fact that Food Stamp Program policies, which can be difficult to implement under the best of circumstances, have become even more challenging as people have entered the workforce and have fluctuating income and expenses. In particular, requirements such as face-to-face interviews, verification and documentation of voluminous data, frequency of reporting changes in household circumstances, and frequency of redetermination of eligibility are impediments to program participation and good customer service.

Wisconsin Efforts to Overcome Current Impediments

Wisconsin has been working very aggressively to overcome these challenges in order to ensure we are providing appropriate services to those who are eligible for them. In particular, Wisconsin has stepped up outreach efforts and increased access points to make application to the program easier, such as outstationing eligibility workers at non-traditional community sites. As a result, while participation in the Food Stamp Program has continued to decline nationally, we have seen a 10 percent increase over the past year, which is one of the largest increases in the country. More than 216,000 people are now participating in the program, the most since June of 1997.

In addition, Wisconsin has been highly successful in converting from the paper coupon system to the Electronic Benefit Transfer plastic debit card. Our conversion took place in 2000. While virtually all other states saw a decline in program participation during conversion to the EBT system, our caseload continued to grow, including families and disabled individuals, due to extensive up-front public education and outreach coordinated by our state and local agencies and community advocate groups, all working together.

Nevertheless, the ability of Wisconsin to manage the Food Stamp Program as effectively and efficiently as possible, in order to ensure that the needs of participants are met, is severely limited by the program's current parameters.

For instance, the federal policy limits the amount of "liquid assets" a household can have in order to qualify for food stamps: $2,000 for those under age 60, $3,000 when someone in the household is 60 or older. This policy requires the applicant to provide verification from a reliable source, such as a car dealer, of the value of any vehicles he or she owns, documentation of savings and checking accounts, savings bonds, burial funds, retirement accounts, children's trust funds. . . the list goes on and on. This is similar to what a bank requires of any of us when we apply for a home mortgage. However, this scenario is repeated every 6 or 12 months when a program participant must be "recertified."

What is the result of this investment of time and energy on the part of a program participant? According to a recent report by the United States Department of Agriculture, the "countable" assets in an average Food Stamp case is only about $140.

This is just one example of the complex requirements of the Food Stamp Program and the burdens that are placed on program participants. I believe it illustrates the point that significant changes are needed in the Food Stamp Program to simplify access and services for participants, to streamline administration, and to reinforce work incentives.

Suggested Program Modifications

So, what needs to happen? The key change that is needed is to "update" the Food Stamp Program and bring it in line with the other programs that touch the lives of those in need: Temporary Assistance for Needy Families (TANF) programs, Medicaid, and Child Care. In particular, changes need to be made to the eligibility determination and application processes, and additional flexibility needs to be built into the program.

Therefore, Wisconsin supports the American Public Human Services Association (APHSA) recommendations, which include:

- Simplifying the process for calculating Food Stamp benefits, including standardized housing cost deductions.
- Simplifying application processing, change reporting, and re-certifications.
- Either 1) eliminating the asset test, 2) raising the asset limit, or 3) allowing states to use their TANF or Medicaid limits, whichever is higher. Wisconsin prefers eliminating the asset test.
- Simplifying household composition rules.
- Providing a 6-month transitional Food Stamp benefit when an increase in earnings causes the case to become ineligible, similar to Medicaid transitional benefits.
- Encouraging program participation by seniors and disabled individuals by setting minimum benefits greater than the current $10 per month.
- Enhancing employment and training programs, including adequate funding, to encourage self-sufficiency.
- Increasing federal matching share for state efforts to improve outreach and participation, similar to Medicaid enhanced funding provided by the Department of Health and Human Services.

I should point out to you that in Wisconsin, there is broad consensus that the Food Stamp Program must be simplified in order to reach the target population and streamline administration to better serve our customers. The recommendations presented to you today, as well as some others, reflect the consensus opinion of a Food Stamp Policy Workgroup in our state. Members of the workgroup include a number of family, nutrition and local advocate agencies and organizations (including the Hunger Task Force of Milwaukee, Community Action Agencies, Wisconsin Council on Children & Families, and University of Wisconsin-Extension), local and state government stakeholders, and retail food distributor representatives.

Summary

In short, Wisconsin believes that the Food Stamp Program needs to be overhauled in order to improve customer service, streamline administration, and to allow states the flexibility to provide coherent, coordinated services to low-income participants. Clearly, such changes can only be of benefit to participants, many of whom have taken the first and necessary steps to achieve self-sufficiency by entering the world of work and yet find the Food Stamp Program has not kept pace with their achievements.

Attached is the Food Stamp Program section of the American Public Human Services Association's new policy proposal document, *Crossroads – New Directions in Social Policy.* These proposals were developed and approved by the state public human services commissioners over the past two years.

Crossroads contains the states' proposals for thorough reform of the Food Stamp Program. The reforms focus on simplified eligibility, streamlined application processing, benefit reforms and updates, a rational resource policy, transitional benefits and other strengthened supports for working families, increased access and benefits for the elderly, administrative flexibility, and other changes that will make the program simpler and more accessible.

The full text of *Crossroads*, which covers TANF, Medicaid, child care, child support, and other programs, is available on the APHSA web site, www.aphsa.org.

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FOOD STAMP PROGRAM

Current Program

The last major legislative overhaul of the Food Stamp Program (FSP) was the Food Stamp Act of 1977. Although modified many times since then, the basic elements of food stamp law have changed little. The program remains one designed to function in a time when most food stamp recipients also received cash payments through the former Aid to Families with Dependent Children (AFDC) program. Few recipients worked and their monthly budgets were predictably steady.

The world of public assistance has changed radically; increasing numbers of participants have successfully moved into the workforce, and the typical food stamp budget is now one that includes fluctuating wages from an entry-level job. AFDC has been replaced by Temporary Assistance for Needy Families (TANF) with its array of work supports, diversion payments, and other forms of assistance that may or may not include a traditional monthly check; cash assistance is no longer the "gateway" to other public assistance.

At a time when the federal government has granted new flexibility to states in the design and administration of the multi-billion dollar Medicaid, State Children's Health Insurance Program (SCHIP), and TANF programs, no comparable flexibility has been granted in FSP. In contrast, the many changes made in food stamps over the years have almost always increased the program's complexity. Many recent changes have been made solely to achieve federal cost savings—but they have also caused caseloads to fall, program complexity to worsen, and administrative costs to soar. Most notably, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, the welfare reform law, put in place three eligibility restrictions and requirements on current recipients of food assistance: noncitizens were banned from the program, the standard and shelter deductions were capped, and the Thrifty Food Plan was reduced.

In addition, new work requirements and time limits were put in place for single adults without dependents (ABAWDs), and new sanctions were enacted to reduce or eliminate benefits for those out of compliance. The employment and training (E&T) program's resources were targeted largely to ABAWDs—an ever-shrinking part of the client caseload—leaving state programs with surplus funds and families newly ineligible for such assistance. A state mandate to implement a nationwide electronic benefit transfer system was also enacted, accompanied by several unfunded cost shifts to states.

One year later, in 1997, FSP was reduced again—this time by a cap on federal reimbursement for state administrative costs and a multiyear cut in the E&T program. These changes generated federal savings in excess of $1.7 billion. And while a portion of the noncitizen caseload banned under the welfare reform law was reinstated, the change left many noncitizens perplexed and confused about their eligibility status. New cost containment requirements, such as death matches and prisoner matches, have also driven up the cost of administration of the program.

Outdated quality control measures, no longer contemporary with the increased numbers of working food stamp clients, have resulted in huge financial penalties on states for failure to calculate fluctuating monthly food stamp income amounts.

Both state administrators and food stamp recipients have become extremely frustrated with the program, and support for the program as it now stands is rapidly weakening. Restrictive eligibility requirements, increased federal micromanagement, and the growing disconnect with the flexible TANF program have all contributed to a decrease in the number of families who receive food assistance benefits.

Challenges

System Needs Fundamental Change, Not Adjustment

APHSA supports a broad system overhaul of FSP. The program has been and must remain an important component in the complement of benefits and services for vulnerable families, but the time has come for major changes—not further incremental adjustments to existing law. The Food Stamp Program has fallen far out of step with the current state and national priority of moving families toward self-sufficiency. APHSA will aggressively move an agenda of simplification, broadened eligibility, vehicle and resource exemption reform, and outcome-based evaluation. To undergird these changes, APHSA will urge national policymakers to provide FSP with the support and investment necessary to adequately fund the program's benefits and the changes states seek.

The Food Stamp Program should serve as a vital and integral food assistance component in the nation's efforts to maximize independence among low-income families and vulnerable individuals. The program should provide food assistance in a way that (1) supports work and preparation for work and (2) increases access to nutrition assistance for elderly and disabled individuals.

The major policy changes APHSA seeks center around a gross-income basis for food stamp budgeting and an end to the present reliance on a long and complicated set of discrete deductions. Eligibility determination must be radically simplified, or even made automatic for stable groups such as Supplemental Security Income (SSI) recipients. Federal regulatory authority should be confined to that specifically allowed by statute, as is the case in the TANF program.

Federal Investment to Expand Access

There is a broad national consensus that the program should expand its access to those families making the transition to self-sufficiency, and new federal investment must support that expansion. Federal policymakers also have a major responsibility to remold FSP's image into one that is positive and open. This has been done with great success in the Medicaid program and the State Children's Health Insurance Program (SCHIP); these programs are now rightly seen as services that should be actively promoted and provided to eligible recipients. This can happen as well in FSP through education, outreach, and affirmative support of both the program and state administrators. The Food Stamp Program must be realistically portrayed as a vital element in the budgets of low-income families while retaining its traditional role as a support for food security.

Realistic Outcome Measures

Finally, the program must turn sharply away from its long-time exclusive focus on process and payment accuracy. While sound program administration remains important, that element must take its rightful place as only one component in a much broader scheme of measuring the real improvements the program makes in the lives of recipients. The present food stamp quality control system must therefore be replaced by appropriate and realistic outcome measures.

Recommendations

Proposal

- **Simplify Food Stamp Allotment Calculation**

  The Food Stamp Program's allotment calculation methodology must be greatly simplified. A system that is based simply on gross income, and that is adequate enough to provide benefits to meet family needs, is a far preferable alternative to the present system. The simplest approach to this solution is a benefit table structured around gross income and that is sufficient for food assistance needs as well as other basic demands on household budgets such as shelter costs. APHSA will examine several alternative approaches to assess their effects on current food stamp households and overall program costs.

  Based on preliminary data, APHSA believes it is feasible to develop a vastly streamlined allotment calculation methodology. For example, it appears possible to use total monthly gross income with an upper limit of 150 percent to 185 percent of poverty, adjusted by certain percentages that allow for an earned income disregard and essential expenses, to yield a benefit table providing the majority of program recipients with allotments equal to or higher than present levels. It also appears that this proposed methodology could extend eligibility to additional low-income working families —those with the greatest need for short-term support as they transition into the workforce—and assure that the flow of food stamp benefits will increase to all states.

  While preliminary data points to higher overall program benefit costs for this methodology, making this investment in FSP would be amply repaid in greater program access, less confusion, and simpler administration.

Explanation

The Food Stamp Program currently takes a recipient family's income and makes certain adjustments to calculate what portion of it will be used to determine eligibility and benefit levels. Since 1977, the program has determined this countable income by starting with gross income, then subtracting a set of deductions for certain expenses, and finally adjusting for the assumption that no more than 30 percent of a household's income is theoretically available for food. This methodology in fact has never allowed for the amount of a low-income family's budget that is truly available for food; the most obvious example is that no deduction is available for vehicle ownership or operating expenses. Further, the set of allowable deductions has varied over time with the vagaries of politics and periodic moves to cut program costs, and has now grown so complex that it constitutes one of

the program's greatest administrative burdens. This complex process is also a major element of client frustration and misunderstanding, and adds substantially to the program's barriers to access and participation.

Proposal

- ***Simplify Application Processing, Change Reporting, and Recertification***

  Food stamp statutory language should be modified to adopt the review concept that is currently used in TANF and Medicaid, under which a case is considered eligible until modified or terminated. This approach should be combined with a reasonable reporting requirement for all households, similar to that in the portion of the November 21 regulation dealing with six-month reporting. In addition to a rational income reporting requirement, the proposal could include reporting of such changes as a change in source (not amount) of income and in household membership. This proposal will result in a dramatic decrease in the amount of case processing time and reporting requirements.

  States must be provided with the flexibility to design their application forms and procedures, particularly as necessary to align them with those of other programs, within the framework of assurances of timely processing, such as same-day application filing and expedited service procedures.

  For recipients who are working, this proposal creates a substantial incentive to remain in the workforce and to accumulate assets. It also provides all food stamp households the same advantage of the transitional benefit that will be proposed below for TANF households.

Explanation

Application processing, change reporting and processing, and recertification procedures are still micromanaged by federal regulations to an extent far exceeding requirements in the food stamp statute. Unfortunately, the final regulation issued by FNS on November 21, 2000, not only retained prescriptive and complex requirements for applications but even added new ones. This occurred even though the regulation was nominally issued to implement provisions of the welfare reform law designed to *increase* state flexibility in these areas. New requirements were also added regarding recertification procedures.

In addition, despite the regulation's provision of an option to allow six-month reporting for earned income households, food stamp policies continue to fundamentally restrict state flexibility with respect to change reporting and processing. States find it impossible to create integrated applications, and redetermination and change reporting procedures, across the various programs that serve low-income families and adults. These provisions will continue to hamper administrators and discourage recipients with additional paperwork and red tape.

Proposal

- ***Provide Transitional Food Stamp Benefits***

The Food Stamp Act should be amended to allow benefits to be continued for six months at the level authorized prior to cash assistance (TANF, General Assistance) closure when the following conditions exist:

- the cash assistance case closes due to excess income; and
- at least one member of the FSP household has countable earned income.

Neither a new application, an updated application, nor an interview would be required. If certification periods are not eliminated as proposed above, then the six-month period should be set without regard to the number of months the household has already been certified. If the household returns to cash assistance during this time period, transitional food stamp benefits would end and a new benefit level would be calculated. Use of the transitional benefit would not bind a state to any specific reporting method after the six-month period expires.

Explanation

The Medicaid program has a very successful transitional Medicaid benefit that helps families make the transition to self-sufficiency when cash assistance ends. When the household first obtains a job, it must cope with new challenges like child care, transportation, and varying hours. It is difficult for the family or state to predict the amount of earnings and deductions, or whether the job will last. A counterpart policy for food stamps would provide FSP benefits for six months, without regard to income changes, giving household circumstances a chance to stabilize. Then, at redetermination, it will be much easier for both the family and state to predict future income.

Again, the November 21, 2000, regulation has provided a degree of relief by allowing three-month transitional benefits. However, a policy that is even more flexible and that is reflected in the Food Stamp Act is still needed.

Proposal

- ***Exempt One Vehicle and Simplify Asset Tests***

  The asset policy should be changed as follows. Other aspects of current law will remain in effect.

  - The asset limit will be $5,000 for all types of households.
  - One vehicle per working person will be fully exempt; additional vehicles will be counted at their equity value. (Vehicles required for producing income are exempted under the general exemption for any assets used to produce income.) All households will have at minimum one fully exempted vehicle.
  - Exempt as countable assets all retirement accounts and education savings accounts.
  - Exclude the Earned Income Tax Credit as a resource for all households, with no time limit.

- Allow states to liberalize food stamp asset policy as appropriate to align with their TANF policy.

Explanation

Food stamp asset limits are extremely outdated and have not kept pace with the costs of living or with the changes of welfare reform. Increasing asset limits and exclusions would expand access to the program for clients and would simplify the asset test for state administrators by allowing alignment with TANF policy. The food stamp asset limit for vehicles is particularly inappropriate; it has barely changed since 1977 and forces many low-income working families to choose between owning a reliable car and staying on the program. The significant policy improvements recommended above will also eliminate the need for the present complex and confusing categorical eligibility rules.

Proposal

- ***Simplify Household Composition Rules***

  Food stamp policy should be revised to allow the following:

  - Children who are under 18 years of age and live with their parents must be part of the parents' household, regardless of whether they purchase and prepare meals together or separately.

  - Allow any person age 18 or older that is unable to purchase and prepare meals separately due to a severe physical or mental disability to have separate household status.

  - The Social Security Administration (SSA) should add a nutritional supplement for SSI recipients. SSA would administer the payment although its costs would continue to be funded from FSP. SSI recipients would no longer be eligible for the separate FSP and therefore would not be considered household members.

Explanation

Several food stamp household composition policies are outdated, inconsistent, or needlessly complex. Currently children 21 years of age or younger must be part of their parents' group. However, this requirement applies to children under 18 years of age that live with and are under the parental control of a person other than their parent. The age at which the mandatory inclusion in the household applies should be the same. In addition, current law allows separate status for disabled persons 60 years of age and older, so that these persons may reside in the least restrictive setting possible. This goal is appropriate for all adults regardless of age. Finally, in many states SSI recipients are automatically eligible for Medicaid and a state supplement to SSI. SSI recipients are either elderly or disabled and have few resources.

Proposal

- ***Enhance Employment and Training Programs and Encourage Work***

  The federal government must provide sufficient employment and training (E&T) funding to serve all those subject to work requirements, and to lift the caps on reimbursement amounts.

  In addition states must be able, at their discretion, to select the following new options that will simplify work program administration, enable coordination and alignment among the various work program funding streams, and provide appropriate welfare-to-work opportunities for program participants.

  - Implement alignments and simplifications among their work programs, including TANF and those funded under the Workforce Investment Act (WIA). This option must include the flexibility to align food stamp and TANF work requirements, including making those subject to food stamp work requirements the same as those subject to the state's TANF work requirements.

  - Eliminate the special status now held by ABAWDs and mainstream this group and all others subject to food stamp work requirements into the state's existing standard workforce development program. This would include elimination of time limits for ABAWDs, since the state would be referring them to a work activity within the same time frame used in its TANF program.

  Measures of the effectiveness of food stamp work activities must be outcome-based and consistent with those in other work programs. They should reflect such criteria as job placement, job retention, and earnings progression.

Explanation

The Food Stamp Program currently provides an E&T program under which states may provide employment, training, and workfare to able-bodied recipients to the extent allowed by E&T funding. E&T funds have always been meager and most states have been able to do little beyond offering job-search activities. The E&T program's problems were exacerbated in 1996 and 1997 when changes in the law imposed an administratively cumbersome work requirement on single childless adults (ABAWDs) and unrealistically set aside 80 percent of E&T funds for ABAWD work slots.

Proposal

- ***Restore Eligibility for Noncitizens***

  Federal food stamp eligibility for legal noncitizens should be restored by reinstating the noncitizen policies in effect prior to the enactment of the welfare reform law in August 1996. In addition, existing benefit calculations for noncitizens must be greatly simplified and aligned with program policy for other households.

Explanation

Shortly after the welfare reform law was enacted, FNS acknowledged that the new criteria for determining the eligibility of noncitizens presented some particularly challenging implementation issues and administrative challenges. In addition, many states, recognizing the extreme hardship facing many noncitizen households as a result of the new law, chose to implement the option to provide state-only food stamp programs for selected segments of the newly ineligible noncitizen population. Subsequent federal legislation has restored federal eligibility to some, but not all, noncitizens. While the partial restorations are helpful, this piecemeal approach to the restoration of noncitizen eligibility has increased complexity, confusion for both staff and recipients, and errors.

Proposal

- ***Enhance Benefits and Program Access for Senior and Disabled Individuals***

  The following changes and options will greatly improve participation by elderly individuals in the program:

  - Increase the minimum allotment to at least $25 for one- and two-person households, with automatic adjustments for inflation;
  - Adopt the recommendation in the "Household Composition" section above to include a nutrition supplement as part of the SSI payment.
  - Make eligibility for the program automatic for those receiving SSI benefits.

Explanation

Elderly individuals are defined in FSP as those age 60 and over. Despite this broad definition, they are the most underserved group among food stamp recipients. The amount of food stamp benefits for which many elderly individuals qualify is often low and, in many cases, the minimum benefit (now only $10 per month). Yet to receive this low benefit amount, elderly individuals face a variety of barriers. These include extensive paperwork requirements to obtain a deduction for medical expenses, the implication of dishonesty caused by quality control-driven verifications and investigations, discomfort with dealing with electronic benefit transfer (EBT) systems, and low resource limits under which savings accounts and reliable cars cause ineligibility.

Proposal

- ***Simplify Benefits for Persons in Group-Living Arrangements***

APHSA proposes the following alternative for shelters and treatment centers. States should be allowed, at their option, to make payments for food stamp recipients through a billing system whereby the facility would bill the state at the end of the month for the number of days the resident was in the facility. The per diem would be based on the average allotment issued to all food stamp recipients just prior to the implementation of the option. The per diem would be adjusted each year based on the percentage increase in the Thrifty Food Plan. A person who leaves the home or center

would report the change of residence and receive a prorated allotment for the remaining number of days, if eligible.

Explanation

Current policy for providing allotments to residents of nonprofit group-living arrangements, domestic violence shelters, homeless shelters, and substance abuse treatment centers must also be revised. Under the present complex and cumbersome rules, states must spend an inordinate amount of time determining eligibility and calculating budgets for the relatively few food stamp recipients who reside in these facilities. In addition, there are many rules governing how the allotment is issued and what part of the allotment must be given back to a person who leaves a center. Issuing benefits via EBT has added more complexity.

Proposal

- ***Amend Electronic Benefit Transfer Program Administration***

Two proposals should be considered.

- The 50–50 administrative match must be increased to ensure that EBT costs do not continue to shift from the U.S. Department of Agriculture (USDA) to the states. In particular, USDA should share their savings with states by paying 100 percent of costs of functions that were federal responsibilities under the paper system, such as the food stamp redemption aspects of retailer management. In addition, EBT law must be changed to eliminate any reference to a "cap" on federal dollars (i.e., cost neutrality) and to assure full federal coverage of costs associated with benefit portability (i.e., interoperability).

- Certain EBT functions that belonged to USDA under the paper system should be taken back by the department (provided, however, that USDA does not impose new federal standards on states). One possibility, presented in an Alternatives Analysis commissioned recently by USDA, would be for the department to take back sole responsibility for retailer management by supplying the equipment needed to redeem the electronic food stamps. The department has a national network of offices already involved in retailer management that could support this function. It also might improve the competitive landscape by allowing new vendors to bid on a substantive piece of EBT business while streamlining the overall requirements for EBT prime vendors.

Explanation

EBT has proved to be a very successful and well-liked delivery system for food stamp benefits. It removes the stigma associated with paper coupons and supports work and preparation for work by putting clients into the economic mainstream-they can use "plastic" like everyone else.

However, states have paid a high price for this success story. In particular, more and more states are now spending more state dollars for EBT benefit delivery than they did for the old paper coupon system. The primary reason is the significant cost shift to states for responsibilities, like the food stamp redemption aspects of retailer management, which belonged to USDA under the paper

system. Also, there are substantial and inherent differences in the federal requirements for EBT and the paper coupon system that have resulted in unfunded mandates such as an around-the-clock, toll free help line for clients and retailers. State costs are also rising due to the lack of competition among vendors; currently, 33 states all share the same EBT prime vendor and are seeing basic prices double and triple from those paid just a few years ago.

The traditional 50–50 match for administrative expenditures is no longer adequate and does not reflect the shift to states of responsibilities that formerly belonged to USDA. At the same time, USDA is realizing significant cost savings since the department no longer has to pay for the printing, distributing, redeeming, and accounting for paper stamps.

Proposal

- ***Enhance Program Flexibility***

  The USDA secretary's waiver authority must be expanded to require approval of state requests on the simple basis that they demonstrably simplify program administration, improve efficiency, and/or enhance access to benefits. The extensive waiver limitations and exclusions in present law must be removed. In addition, policies that counteract the benefits of welfare reform, such as counting diversion payments as income, should be repealed.

  In addition, the pre-welfare reform policy must be restored that allowed administrative waivers without evaluation requirements.

Explanation

A number of states have tried to simplify food stamp administrative processes using the USDA secretary's waiver authority. However, this authority is extremely limited because of restrictions in the law and the administration's imposition of strict year-to-year cost-neutrality requirements. In addition, states have sought to conform food stamp rules and procedures to their successful TANF program designs so that families participating in both programs can avoid contending with different (and even conflicting) requirements and timetables for recertification interviews, change reporting, verification, and the like. But current food stamp law allows only a very restricted degree of such conformity through the Simplified Food Stamp Program (SFSP) option. This option also has numerous statutory exceptions and a strict annual cost-neutrality requirement. Consequently, only one state has ever made use of the full option. In a January 1999 study, the General Accounting Office (GAO) criticized SFSP's lack of flexibility and its cost-neutrality requirement.

Another example of restrictions on useful conformity comes in the area of TANF diversion payments. While some diversion payments can be excluded from food stamp income, others are not. The Food Stamp Program should recognize that any type of diversion payment, and any other similar assistance clearly designed to help households achieve self-sufficiency, must be exempted as countable income so that food stamp benefit reductions will not counteract state efforts to support welfare-to-work households.

APHSA does not seek any waiver authority that could be used to alter FSP's basic character as an entitlement program.

Proposal

- ***Create a New Outcome-Based Measurement System***

  The current quality control (QC) system should be dramatically revised and a new incentive system of outcome measures for working families and other program recipients should be considered. While program integrity remains important, the new system should consider measures of recipient advancement and provide incentive payments to those states with the best performance records. The outcomes could include increased family income and other indicators of greater self-sufficiency. States could earn additional incentive payments through high performance in other areas of program measurement, such as the percentage of former TANF recipients "attached" to food stamps.

  Other important requirements for the new incentive system would include:

  - all measurement systems and procedures must strictly follow program policy;
  - sampling methodology must be reasonable and simple;
  - any data collection requirements must be reasonable, simple, and within states' current collection capabilities; and
  - differences among states (such as waivers currently in effect) must be fairly accounted for.

Explanation

The Food Stamp Program is evaluated essentially by only one process, the quality control (QC) system that focuses exclusively on rigid compliance with detailed payment accuracy requirements. States that exceed the national average of payment errors are subject to substantial financial penalties. (A handful of states with very low rates can qualify for incentive payments.) This system places states into arbitrary "good" and "bad" categories, without taking any account of the rapid movement of many clients into the workforce or any credit for states' successes in moving families away from dependence. In fact, as more recipients enter the workforce and household income fluctuates more often, states' "error rates" go up.

Proposal

- ***Re-establish Equitable Federal Participation in Program Administration***

  The historic 50 percent match rate for normal administrative expenditures must be restored. In addition, states should be provided enhanced match for implementing and publicizing changes in the program.

Explanation

The Food Stamp Program has always been a federal-state partnership under which the federal government provides benefit funds and administrative matching grants while states are responsible for day-to-day program administration. Until 1998, the federal government had always matched normal administrative expenditures at 50 percent, but this was reduced for nearly all states by cost allocation changes in the Agriculture Research Act enacted that year. That law said that states' TANF grants had been inflated because food stamp costs had been charged to AFDC in the base period, and that therefore states in fact already had been given excess funds for food stamp purposes. However, TANF law prohibits any use of the TANF block grant for non-TANF purposes. In addition, other administrative match cuts in the past decade have eliminated the enhanced funding once available for automated systems and anti-fraud activities. Meanwhile, the program has become far more complex and the administrative-cost-to-benefits ratio has increased dramatically.

Vision

The Food Stamp Program has grown increasingly complex and costly to administer. Moreover, over the past decade this shift has driven families in need of food assistance away from the program. A comprehensive overhaul of the program must be the focus of reauthorization. Streamlined applications, stable benefit levels, transitional assistance, and simplified eligibility for the elderly and disabled can and should be accomplished. To the greatest extent possible, all those receiving food stamps should be afforded the same opportunities for employment and training with the goal of economic self-sufficiency.

Participation in FSP is a barometer of barriers to client access and support for the program. In this regard, since 1996 national food stamp participation has declined nearly 30 percent; participation of working poor families, which has never been high, is on the decline and elderly and disabled individuals still struggle with access to the program. The Food Stamp Program can be a critical safety net and work support program only to the extent it effectively reaches those it intends to serve. Once every five to seven years Congress reauthorizes the program; the 107th Congress has an historic opportunity and obligation to streamline the program and enact changes that can increase accessibility to millions of families in need of this vital assistance.

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