

TESTIMONY OF SENATOR BOB DOLE
BEFORE THE SUBCOMMITTEE ON AGRICULTURE RESEARCH
AND GENERAL LEGISLATION
COMMITTEE ON AGRICULTURE AND FORESTRY
THE FOOD STAMP PROGRAM

October 8, 1975

MR. CHAIRMAN, I AM PLEASSED TO HAVE THIS OPPORTUNITY TO DISCUSS WITH THE COMMITTEE, S.2451, THE FOOD STAMP REFORM BILL I HAVE INTRODUCED WITH SENATOR McGOVERN. IT IS A BIPARTISAN BILL WHICH FUNDAMENTALLY RESTRUCTURES THE NATION'S FOOD STAMP PROGRAM TO MAKE IT MORE RESPONSIVE TO BOTH FOOD STAMP RECIPIENTS AND TAXPAYERS.

AS I AM SURE EVERY MEMBER OF THE COMMITTEE KNOWS, AN INORDINATE SHARE OF THE DEBATE OVER PUBLIC ASSISTANCE PROGRAMS HAS BEEN FOCUSED ON FOOD STAMPS IN RECENT MONTHS. THIS IS NOT SURPRISING IN LIGHT OF THE FACT THAT THE FOOD STAMP PROGRAM HAS GROWN MOST VISIBLY DURING THE RECESSION -- FROM ABOUT 14 MILLION PARTICIPANTS IN THE SUMMER OF 1974 TO A PEAK OF NEARLY 20 MILLION EARLIER THIS YEAR. EXPENDITURES ARE NOW RUNNING AT AN ANNUAL RATE OF AROUND \$6 BILLION, AMOUNTING TO WELL OVER HALF OF THE TOTAL BUDGET OF THE DEPARTMENT OF AGRICULTURE.

THAT THE PROGRAM SHOULD GROW AT A RAPID PACE DURING A PERIOD OF SUBSTANTIAL ECONOMIC DECLINE IS NOT, IN AND OF ITSELF, OBJECTIONABLE, FOR IT IS PROGRAMS LIKE FOOD STAMPS, UNEMPLOYMENT COMPENSATION, AND OTHER PUBLIC ASSISTANCE EFFORTS WHICH HELP CUSHION THE EFFECTS OF THE RECESSION ON THOSE UNFORTUNATE ENOUGH TO BE TEMPORARILY WITHOUT THE MEANS TO SUPPORT THEMSELVES AND THEIR FAMILIES.

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WHAT IS OBJECTIONABLE IS EXPLOITATION OF THE PROGRAM BY THE NON-NEEDY, UNCONSCIONABLE DELAYS IN GETTING ASSISTANCE TO THE TRULY NEEDY, AND GENERALLY SLOPPY (AND CONSEQUENTLY WASTEFUL) ADMINISTRATION OF THE PROGRAM BY BOTH FEDERAL AND STATE GOVERNMENT. THE BILL SENATOR McGOVERN AND I HAVE INTRODUCED IS DESIGNED TO CORRECT EACH OF THESE INFIRMITIES IN THE FOOD STAMP PROGRAM BY REDUCING WASTEFUL EXPENDITURES AND CONCENTRATING BENEFITS ON THOSE MOST IN NEED OF ASSISTANCE.

PASSAGE OF THE SIMPLIFIED ADMINISTRATIVE PROCEDURES AND TIGHTENED ELIGIBILITY CRITERIA OF S.2451, ALONG WITH OTHER REFORMS, COULD SAVE THE TAXPAYERS HUNDREDS OF MILLIONS OF DOLLARS IN A PROGRAM WHICH ADMINISTRATORS ADMIT HAS MISSPENT ONE OUT OF EVERY FIVE TAX DOLLARS.

THE STANDARD DEDUCTION

THE SINGLE MOST IMPORTANT PROVISION OF S.2451 ELIMINATES THE PRESENT CUMBERSOME SYSTEM OF ITEMIZED DEDUCTIONS FROM INCOME AND SUBSTITUTES A SINGLE "STANDARD" DEDUCTION FORMULA TO BE USED BY ALL FOOD STAMP APPLICANTS.

UNDER CURRENT PROGRAM REGULATION, AN APPLICANT HOUSEHOLD IS PERMITTED TO DEDUCT FROM GROSS INCOME A VARIETY OF EXPENSES INCLUDING INCOME AND EARNINGS TAXES, SOCIAL SECURITY PAYROLL TAXES, MANDATORY UNION DUES, COURT-ORDERED ALIMONY AND CHILD SUPPORT, SOME SHELTER EXPENSES, AND A VARIETY OF ADDITIONAL EXPENDITURES. THE ORIGINAL PURPOSE OF ALLOWING THESE DEDUCTIONS BEFORE COMPUTING ELIGIBILITY FOR FOOD STAMPS WAS TO DISREGARD THE PORTION OF A FOOD STAMP APPLICANT'S INCOME WHICH IS SPENT ON DEDUCTIBLE ITEMS IN ORDER TO DETERMINE THE APPLICANT'S TOTAL RESOURCES

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AVAILABLE TO PURCHASE FOOD. IN PRACTICE, THE COMPLEX ITEMIZED DEDUCTION SYSTEM HAS PERMITTED SOME HOUSEHOLDS WITH INCOME WELL BEYOND THE SCOPE OF WHAT IS GENERALLY THOUGHT OF AS "NEEDY" TO QUALIFY FOR FOOD STAMPS. ITEMIZED DEDUCTIONS ARE, AS THE DEPARTMENT OF AGRICULTURE POINTED OUT IN ITS RECENT REPORT TO THE SENATE, THE "LOOPHOLE THROUGH WHICH HOUSEHOLDS WHO WOULD NOT BE CONSIDERED POOR CAN GAIN ENTRY INTO ELIGIBILITY." IN ADDITION, ITEMIZED DEDUCTIONS ARE A BURDEN TO MANY POVERTY-LEVEL FOOD STAMP APPLICANTS SINCE THEY NECESSITATE AN APPLICATION FORM CONSIDERABLY MORE COMPLEX THAN THE STANDARD "1040" INCOME TAX RETURN. /See Form/

FROM A PURELY FISCAL STANDPOINT, THE ITEMIZED DEDUCTION SYSTEM ACCOUNTS FOR LITERALLY MILLIONS OF WASTED TAXPAYERS' DOLLARS. IN THE RECENTLY RELEASED QUALITY CONTROL REPORT WHICH REVEALED THAT HUNDREDS OF MILLIONS OF DOLLARS HAD BEEN IMPROPERLY PAID OUT IN FOOD STAMP BENEFITS, THE U.S.D.A. SAID THAT CALCULATIONS OF INCOME ACCOUNTED FOR OVER 43 PERCENT OF ALL ERRORS WITH ITEMIZED DEDUCTIONS ACCOUNTING FOR NEARLY 29 PERCENT OF ERRORS.

CLEARLY, THE SAVINGS ATTRIBUTABLE TO A REDUCTION IN THE ERROR RATE DUE TO SIMPLIFICATION OF THE INCOME COMPUTATION FORMULA COULD SAVE AS MUCH AS \$300 MILLION IN WASTED FOOD STAMP PROGRAM EXPENDITURES. THUS, S.2451 PROVIDES FOR A SIMPLE STANDARD DEDUCTION OF \$125 FROM AFTER-TAX INCOME OF AN APPLICANT HOUSEHOLD AND A \$150 STANDARD DEDUCTION IF THE HOUSEHOLD CONTAINS AT LEAST ONE ELDERLY RECIPIENT. THIS STANDARD DEDUCTION, WHICH WILL BE MODIFIED ON A REGIONAL BASIS TO REFLECT VARIATIONS IN THE COST OF LIVING, WILL GENERALLY PROVIDE LARGER BENEFITS TO THE POOREST

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RECIPIENTS WHILE CURTAILING OUTLAYS TO LESS NEEDY HOUSEHOLDS. IT WILL REDUCE BENEFITS TO RELATIVELY HIGHER INCOME HOUSEHOLDS WHO PRESENTLY CLAIM DEDUCTIONS LARGER THAN THE STANDARD WHILE INCREASING BENEFITS TO POORER HOUSEHOLDS WHOSE ITEMIZED DEDUCTIONS ARE NOT AS HIGH AS THE STANDARD. UNDER THE BILL, THE ONLY ADDITIONAL DEDUCTION FROM AFTER TAX INCOME WOULD BE FOR UNUSUAL DISASTER OR CASUALTY LOSSES.

IN ADDITION TO ADMINISTRATIVE SAVINGS AND ELIMINATION OF HIGHER INCOME INDIVIDUALS FROM THE PROGRAM, THIS SIMPLE STANDARD DEDUCTION PLAN WILL ALSO GREATLY REDUCE THE RED TAPE IN THE PROGRAM BY SHORTENING SUBSTANTIALLY THE APPLICATION PROCESS WHICH HAS CAUSED UNCONSCIONABLE DELAYS IN GETTING FOOD STAMPS TO NEEDY PERSONS.

FINALLY, THE STANDARD DEDUCTION WILL EFFECTIVELY SET ABSOLUTE MAXIMUM INCOME LEVELS BASED ON HOUSEHOLD SIZE TO ASSURE THAT NON-NEEDY MIDDLE-INCOME HOUSEHOLDS DO NOT QUALIFY FOR FOOD STAMPS. FOR EXAMPLE, THE NATIONWIDE AVERAGE MAXIMUM CASH INCOME FOR A FAMILY OF FOUR WOULD BE SET AT \$7776. ANY HOUSEHOLD WITH INCOME BEYOND THAT LEVEL WILL BE INELIGIBLE TO PARTICIPATE IN THE FOOD STAMP PROGRAM. AND, OF COURSE, THE BENEFITS AT INCOMES NEAR THE MAXIMUM LEVEL ARE QUITE SMALL.

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UNDER S.2541 THE PURCHASE REQUIREMENT IS ELIMINATED. INSTEAD, A QUALIFYING APPLICANT WILL BE GIVEN AN AMOUNT OF STAMPS ROUGHLY EQUAL TO THE "BONUS" UNDER EXISTING ALLOTMENT FORMULA. FOR EXAMPLE, A FOUR-PERSON FAMILY WITH \$250 NET MONTHLY INCOME WOULD RECEIVE \$87 WORTH OF STAMPS UNDER THE 30% BENEFIT REDUCTION RATE OF S.2451. NO CASH WILL CHANGE HANDS AND, THUS, ADMINISTRATIVE COST SAVINGS OF AT LEAST \$50 - \$100 MILLION COULD BE EXPECTED AT CURRENT PARTICIPATION LEVELS.

WHILE THE STANDARD 30% BENEFIT REDUCTION RATE WILL ACTUALLY DECREASE BENEFITS TO SOME RECIPIENTS, ELIMINATION OF THE PURCHASE REQUIREMENT AND INITIATION OF THE STANDARD DEDUCTION WILL ACTUALLY BE OF GREAT BENEFIT TO RECIPIENTS. IT IS IMPORTANT TO POINT OUT THAT THE 30% BENEFIT REDUCTION RATE IN THE BILL DIFFERS FROM THE EARLIER ADMINISTRATION PROPOSAL WHICH WOULD HAVE REQUIRED ALL PARTICIPANTS TO PAY 30% OF THEIR NET INCOME FOR FOOD STAMPS. THE 30% BENEFIT REDUCTION RATE IS LINKED WITH ELIMINATION OF THE PURCHASE REQUIREMENT. THUS, IF THE PROVISION ELIMINATING THE PURCHASE REQUIREMENT IS NOT FAVORABLY VIEWED BY THE COMMITTEE, THE PERCENTAGE PURCHASE REQUIREMENT SHOULD BE RECONSIDERED.

ELIMINATION OF THE PURCHASE REQUIREMENT, WHILE STILL GIVING PARTICIPATING HOUSEHOLDS BASICALLY THE SAME GOVERNMENT SUBSIDY WHICH THEY PRESENTLY RECEIVE, WILL CUT IN HALF THE NUMBER OF FOOD STAMPS IN CIRCULATION. THUS, THE THRIVING BLACK MARKET FOR FOOD STAMPS WILL BE SUBSTANTIALLY REDUCED.

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PRELIMINARY ESTIMATES ARE THAT AS MANY AS 1.5 MILLION PERSONS WHO ARE PRESENTLY RECEIVING FOOD STAMP BENEFITS COULD BE CUT OFF THE PROGRAM IF THIS PROVISION WAS ENACTED. MANY WHO PRESENTLY GET FOOD STAMPS -- ESPECIALLY THE EXTREMELY POOR -- WOULD HAVE THEIR BENEFITS INCREASED. AND STILL OTHERS WHO DO NOT NOW PARTICIPATE COULD BE EXPECTED TO APPLY. ALL IN ALL, THIS PROVISION REDIRECTS THE EMPHASIS OF THE FOOD STAMP PROGRAM TO THOSE MOST IN NEED AND WILL LEAD TO MORE EFFICIENT USE OF THE TAXPAYER'S DOLLAR.

THE PURCHASE REQUIREMENT

ANOTHER MAJOR PROVISION OF THE BILL WOULD ELIMINATE THE "PURCHASE REQUIREMENT" SECTIONS OF THE PRESENT LAW. UNDER CURRENT PROCEDURES, ELIGIBLE PERSONS (EXCEPT FOR THE VERY POOR) MUST PURCHASE THE STAMPS IN ACCORDANCE WITH THEIR INCOME AND FAMILY SIZE. FOR EXAMPLE, A FAMILY OF FOUR WITH NET INCOME OF \$250 PAYS \$71 FOR A MONTHLY ALLOTMENT OF \$162 WORTH OF STAMPS, THUS RECEIVING \$91 WORTH OF "BONUS" STAMPS. FAMILIES WITH LESS INCOME PAY LESS FOR THE SAME \$162 FOOD STAMP ALLOTMENT. AND HOUSEHOLDS WITH NET INCOME IN EXCESS OF \$250 PAY MORE.

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OF COURSE, ELIMINATION OF THE PURCHASE REQUIREMENT COULD ENCOURAGE SOME ADDITIONAL APPLICATIONS FOR FOOD STAMP ASSISTANCE, THUS RESULTING IN SOME INCREASED COSTS. IF THESE NEW APPLICANTS ARE TRULY NEEDY PEOPLE WHO ARE NOW UNABLE TO MEET THE PURCHASE PRICE, THEN I DO NOT BELIEVE WE SHOULD VIEW SUCH INCREASED PARTICIPATION WITH ALARM. ALTHOUGH I HAVE LONG BEEN AN ADVOCATE OF FEDERAL SPENDING RESTRAINT, I NONETHELESS DO NOT FEEL THAT ERECTION OF PROCEDURAL BARRIERS WHICH DISCOURAGE APPLICATIONS FOR ASSISTANCE BY PERSONS WHO ARE ENTITLED TO IT UNDER LAW IS A PROPER WAY TO KEEP FEDERAL EXPENDITURES DOWN.

OTHER PROVISIONS

IN ADDITION TO THOSE PROVISIONS ALREADY OUTLINED, THE BILL CONTAINS SEVERAL OTHER SECTIONS DESIGNED TO IMPROVE THE OPERATION OF THE PROGRAM. ONE PROVISION ELIMINATES SO-CALLED CATEGORICAL ELIGIBILITY OF PUBLIC ASSISTANCE HOUSEHOLDS. UNDER THE BILL, ALL PUBLIC ASSISTANCE RECIPIENTS, INCLUDING THOSE RECEIVING AID TO FAMILIES WITH DEPENDENT CHILDREN (AFDC) AND SUPPLEMENTAL SECURITY INCOME (SSI), WILL BE TREATED LIKE ALL OTHER FOOD STAMP APPLICANTS. TO QUALIFY FOR PARTICIPATION IN THE FOOD STAMP PROGRAM, THEY WILL HAVE TO MEET THE SAME INCOME AND RESOURCE GUIDELINES. THIS PROVISION WILL ELIMINATE THE DISCREPANCY BETWEEN WELFARE AND NON-WELFARE APPLICANTS WHICH EXISTS IN ABOUT 30 STATES AND WHICH PERMITS SOME WELFARE APPLICANTS TO RECEIVE FOOD STAMPS AT INCOME LEVELS WHICH WOULD DISQUALIFY THEM IF THEY WERE NOT RECEIVING OTHER (NON-FOOD STAMP) PUBLIC ASSISTANCE. AN ESTIMATED \$125 MILLION COULD BE SAVED EACH YEAR IF THIS PROVISION OF OUR BILL WAS ENACTED.

THE BILL ALSO CONTAINS PROVISIONS WHICH PROHIBIT PARTICIPATION IN THE PROGRAM BY STUDENTS WHO ARE TAX DEPENDENTS OF INELIGIBLE FAMILIES, A SECTION WHICH IS DESIGNED TO ENCOURAGE MORE PROSECUTIONS OF THOSE WHO ATTEMPT TO DEFRAUD THE PROGRAM, A SECTION ENABLING ELDERLY PERSONS TO USE THEIR FOOD STAMPS TO PURCHASE MEALS ON WHEELS, AND SEVERAL OTHER MODIFICATIONS OF THE PROGRAM.