

FOOD STAMPS Out of Control?

Costs are rising by the billions, abuses are spreading. No wonder there's concern that the food-stamp program is on a runaway course.

Never in its decade as a major tool of federal help for the needy has the food-stamp program been under such heavy fire as it is today.

From Treasury Secretary William Simon down to the clerks who staff check-out counters in food stores, charges are piling up: fraud, abuse and government bungling.

Among worries being voiced—

- The very size of the program is frightening. The expected payout of 6.6 billion dollars for food stamps in the coming year represents about one half the total budget of the Department of Agriculture.

- The program's growth, largely a result of the recession, is vastly exceeding expectations, with close to 1 American out of 11 now getting food stamps.

- Bureaucratic foul-ups, according to the latest official estimate, are resulting

in an "error rate" of about 20 per cent in the program.

The double-barreled result: Lax controls let too many ineligible persons into the program; red tape keeps too many of the deserving needy out.

- Cases of fraudulent use of stamps appear to be rising faster than the number of persons getting them. In some localities, food stamps have become virtually a second currency.

Carl B. Williams, Deputy U.S. Commissioner of Welfare, says:

"As it now stands, the system is in such a mess that the Government has practically abdicated its responsibility for seeing that the money gets to people who really need it. In effect, the Government is giving away billions of dollars with virtually no controls at all."

Action in Congress. In the wake of the growing controversy, pressure is building in Congress for reforms in the massive stamp program. Agriculture committees in both the House and Senate have commissioned studies of the program, and their chairmen have promised major overhauls in coming months.

But reforming a plan affecting such a large number of voters, operating in

every county in the U.S., is likely to be difficult.

There are now more than 19 million persons getting the food stamps, which are coupons issued by the Federal Government and distributed by cities and counties across the country. They are used just like money to buy food. The amount of stamps that a family can buy—and how much it must pay for them—depends on the size of the family and its income. These limits are illustrated in the box on the opposite page.

Treasury Secretary Simon built a hot fire under the program in a controversial speech in Bloomington, Ind., on August 12. He said the food-stamp plan began as a 14-million-dollar experiment in 1962 but will cost 6.6 billion in the current fiscal year. He described it as a "well-known haven for the chislers and rip-off artists" and linked it with "programs that are spinning out of control."

Actually, during its first few years, the food-stamp plan was strictly a pilot program. At the end of its first year, there were about 50,000 persons getting the stamps in six test areas. The bonus value of the stamps—that part paid by the Government—came to only \$381,000.

According to Agriculture Department officials, the program has mushroomed this way:

The number of people receiving food stamps jumped from 6.5 million in 1970 to 10.5 million in 1971, then went to 12.4 million in mid-1973 and to 19.2 million in June, 1975. In some areas—Puerto Rico, for example—half of the population is receiving the stamp subsidies.

Cost of the program has climbed from 1.6 billion dollars in 1971 to 6.6 billion—with the cost expected to rise at least through 1978.

Overpayments and errors appear frequently, according to a sampling of 25,600 households released in March, 1975. The federal survey did not cover households getting public assistance, however. Those households are automatically eligible for stamps, and the error rate would be low. Among the findings:

- Errors were found in 56.1 per cent of cases looked into. Of these, 12.2 per cent

A WELFARE PROGRAM THAT GROWS AND GROWS

Individuals Receiving Food Stamps

632,700

(years ending June 30)

1965 1966 1967 1968 1969 1970 1971 1972 1973 1974 1975

\$35.1 MIL.

FEDERAL OUTLAYS

\$4.9 BIL.

By mid-1976, according to latest official estimates, 20 million people will be receiving food stamps to supplement income — 1 in every 11 Americans. And federal outlays will be running at more than 6 billions a year.

19,172,100

of households were really ineligible for stamps; 37.9 per cent were issued too many or too few, and 6 per cent were incompletely registered.

- Of the food stamps issued, 15.2 per cent went to ineligible households.

- Among eligible households, stamp allotments were found to be 23.2 per cent more than the amounts they were entitled to.

At least five States have been charged with gross negligence and fined for handing out more money than the program authorized. California drew the biggest fines—\$720,000 for Los Angeles County and \$216,400 for Santa Clara County.

Others fined were Hawaii, \$51,000; Washington State, \$20,500; New Jersey, \$274,400; Illinois, \$230,274, and Washington, D.C., \$63,861.

In addition to overpayments charged to the States, about 34,000 individuals were charged with fraudulent use of food stamps in the past year. That amounted to about two tenths of 1 per cent of the number of persons drawing the stamps.

What's ahead? A growing number of powerful critics in the Ford Administration say the food-stamp program is flirting with political and financial disaster.

Treasury official Robert Vastine, who has been assigned by Secretary Simon to look into the situation, observes:

"Even the people who have strongly supported food stamps are beginning to worry that the program has gotten out of hand. Some of them are trying to clean it up before the pressure gets so intense that something really drastic has to be done."

Judging by estimates of Government miscalculations—by both the Agriculture Department and the Department of Health, Education and Welfare—some officials figure that nearly 1 out of 5 food-subsidy dollars is being issued improperly. That would put erroneous payments in the neighborhood of 800 million dollars in the past fiscal year.

Administrative costs at the federal, State and local levels ate up another 518 million dollars, according to preliminary estimates, leaving only about 75 per cent of last year's 5-billion expenditure that theoretically went to help eligible families purchase food.

A black market. In reality, however, recipients are using an unknown amount of that money for a host of illegal purposes through a booming black market, officials say. Deputy Commissioner Williams describes the system this way:

"If a person gets \$100 in food stamps that he wants to spend on rent or booze, he just sells them to a black marketeer for, say, \$80."



HOW FOOD STAMPS ARE PARCELED OUT

The amount of food stamps a family can get varies with the size of the household, and the cash it pays for stamps depends on the family's monthly income. Families with net incomes above maximum amounts—after taxes and certain other expenses—are ineligible for stamps.

How Much in Monthly Stamps

Family of 2\$ 90
Family of 4\$162
Family of 6\$222
Family of 8\$278

How Much a Family Pays

Family of 2:

Nothing if income is less than \$20
\$23 if income is \$100
\$50 if income is \$200

Family of 4:

Nothing if income is less than \$30
\$53 if income is \$200
\$138 if income is \$500

Family of 6:

Nothing if income is less than \$30
\$73 if income is \$250
\$142 if income is \$500

Family of 8:

Nothing if income is less than \$30
\$87 if income is \$300
\$180 if income is \$600

When Families Are Eligible

Family of 2—Income of \$300 or less
Family of 4—Income of \$540 or less
Family of 6—Income of \$740 or less
Family of 8—Income of \$926 or less

Source: U.S. Dept. of Agriculture

"This middleman then sells them for \$90 to a crooked grocer who gets the full \$100 from the Government. That way, everyone makes an easy profit, and the Government gets ripped off."

No one knows how much money is lost to counterfeiting and black-market schemes. But Mr. Williams says:

"The abuse is just awful. I'm convinced that taxpayers, through food stamps, are innocently supporting an enormous amount of illegal 'street business'—from drugs to crap games and prostitution."

These stories of illegal use of food stamps are backed up by interviews conducted by staff members of this magazine. Findings of those interviews are reported in the box on page 14.

On the black-market side of the food-stamp situation, one shopper reported this incident:

"Just a couple of weeks ago I saw someone with food stamps buy \$27 or \$28 worth of liquor. The clerk accepted those stamps for the liquor just like they were cash. I said to him: 'Don't you know that's against the law?' He said, 'Mind your own business.'"

In Jackson, Miss., the co-owner of a supermarket said that food-stamp recipients, most of them women, stand outside his store and "sell a \$5 stamp for \$2, just to get a bottle."

For many in the food business, their stamp customers are too valuable for them to take chances on cheaters.

Says Dick Montoya, a spokesman for the Food and Nutrition Service in San Francisco: "Most major stores need their food-stamp business, and they abide by regulations so they won't lose it."

Stores can be temporarily disqualified from accepting food stamps if rules are violated. In the case of a liquor violation in California, the State Department of Alcoholic Beverage Control would be

notified so that it could suspend or terminate the store's liquor license.

Both State and federal laws provide for possible fines and jail sentences for both misdemeanors and felonies, determined by the dollar amount of the violation. Federal law says violations of more than \$100 constitute felonies.

Besides the billions handed out in food

FOOD STAMPS

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subsidies, what does this program cost the taxpayer? About 1,600 federal employees administer the program. Of these Agriculture Department workers, some 600 are in Washington, D.C., the rest scattered around the country.

But an even larger number are engaged in administering food stamps at the State and local levels. The total—full time and part time—probably runs high in the thousands locally.

Up to Congress. Back in July, President Ford in a special message called on Congress to work out reforms on the food-stamp program. He said:

"If all those presently eligible under current law suddenly signed up for the program, estimates are that between 40 and 60 million persons would be receiving food stamps."

Among suggestions for reform, inside the Administration and outside:

- Eliminate all strikers and students from the food-stamp rolls.

- Transfer the program to HEW and bring its standards into line with those of Aid to Families with Dependent Children, which is widely credited with reducing waste in its own program.

- Photograph and fingerprint recipients to catch those who fraudulently get duplicate allotments.

- Require recipients to sign coupons when received, then countersign them when they are redeemed—like traveler's checks—to cut black-market traffic.

But reform in Congress faces not just a political hurdle—but an economic one as well.

According to one estimate, food stamps may have expanded the demand for agricultural products by amounts ranging from 2.4 billion dollars to more than 3 billion a year. The impact of such figures has not gone unnoticed by farmers and retail store owners.

Senator George McGovern (Dem.), of South Dakota, disputes charges of "rip-offs" in the program, and says: "It has helped prevent the current recession from becoming a major depression. It has helped Americans in need."

In both houses, bills have been introduced to cut back substantially on the food-stamp program. The bills have produced an "odd couple" opposition of liberals who tout the program's benefits to low-income Americans and conservatives who point to the program's importance to farmers, the food industry and the economy in general.

A question still to be settled is one that plagues many welfare programs:

Is it tilted toward benefiting the genuinely needy—or is it getting out of hand through demands of the greedy?

"A RIP-OFF" . . . "SOCIALISM" . . . "NECESSARY": PEOPLE SPEAK OUT ON FOOD STAMPS

Talk to food-store managers, welfare officials, people on the street—and you find a widely held belief that the food-stamp program is the most abused of all plans to aid the needy.

Valid or not, that conclusion comes across strongly in dozens of interviews conducted by members of this magazine's staff, coast to coast.

Says the manager of a grocery store in Columbus, Ga.: "I think it's a big rip-off, I really do. Children come in here and buy a dollar's worth of candy. Some people buy five or six big T-bone steaks. They buy like it's going out of style."

Loose administration comes in for a big share of the blame. In Manhattan, a businesswoman puts it this way: "The food-stamp program is necessary—but is it watchdogged properly? I don't mind paying if the right people are getting the food stamps. But what I do mind paying for is inadequate, immoral and improper administration."

"Form of socialism." In Schaumburg, Ill., sales engineer Robin Haycock comments: "We have introduced another form of socialism, and it's being abused. I think that only about 10 per cent of the people getting food stamps are really in great need of them."

From JoAnne Brown, a Chicago secretary: "I don't mind paying taxes for food stamps, because I might need them myself someday. But I know a woman who lives in an expensive apartment and has a boy friend paying her bills, and she's getting food stamps—now that I don't like paying taxes for."

While administrators of the food-stamp program generally concede that abuses exist, many insist the abuses are no greater than in other Government welfare programs. Rebecca Ward, income-maintenance director for St. Louis County, says her office gets no more complaints about stamp abuses than about any other aid program.

"I don't believe the amount of abuse is great," she comments, "and I know that many of our unemployed here would be in great, great trouble without the stamps."

Sandra Semtner, food-stamp ad-

ministratrix for Los Angeles County, points out that regulations hinder checkups on applicants. "Clients can lie," she says. "They can fail to report things. We are not allowed to verify most of their statements."

Miss Semtner's estimate of the amount of fraud: "It runs from about 1 to 3 per cent for prosecutable incidents. Up to 6 per cent is



Buying food with stamps: a boon for the needy, or a raid on the Treasury?

probably client error. The program is complex."

One story crops up everywhere: the well-dressed person who drives up in a Cadillac and purchases food with stamps. In checking such stories, officials usually discover the driver to be a friend or a volunteer collecting food for someone too old or ill to shop personally.

C. Larry Goolsby, head of the Charlotte, N.C., program, says: "We have a number of people in this community who are volunteers, and they assist food-stamp recipients by going to the store for them. And it so happens that a lot of these people are wealthy and drive nice cars."

More eligible? Some officials believe that many eligible for stamps are overlooked and that reports of abuse are exaggerated. Says one:

"I think when a lot of people are feeling the burden of heavy taxation they find a scapegoat, and the poor have always been a visible, readily accessible object of scorn. It is much easier to blame the poor for draining the country's Treasury than to blame defense spending or bureaucratic waste."