

FOOD STAMPS: 1982 LEGISLATION

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AUTHOR:

Joe Richardson

Education and Public Welfare

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ISSUE DEFINITION

Authorization for food stamp appropriations was to have expired at the end of FY82; in addition, the FY83-85 budget resolution assumed substantial savings in food stamps. As a result, and with the potential of an FY82 food stamp funding shortfall averted by the appropriation of a \$1 billion supplemental, Congress acted to reauthorize appropriations and limit program costs in the 1982 budget reconciliation process.

The Senate adopted Food Stamp Act amendments in its FY83-85 budget reconciliation bill (S. 2774) that would have extended the appropriations authorization, with annual ceilings, through FY85, and saved a total of \$2.5 billion over the next 3 years. The House adopted provisions (in H.R. 6892 and H.R. 6955) that also would have extended the authorization with dollar limits for 3 years and achieved savings of \$1.3 billion through FY85.

On Sept. 8, 1982, the President signed the Omnibus Reconciliation Act 1982 (P.L. 97-253), thereby completing action on 1982 food stamp amendments. The food stamp portion of P.L. 97-253 is expected to achieve net savings of \$500-\$800 million annually through FY85, for a 3-year total of \$1.9 billion. It also reauthorizes appropriations through FY85, with annual dollar limits, and makes a number of changes in administrative rules.

BACKGROUND AND POLICY ANALYSIS

1981 ACTION

In 1981, Congress acted several times to amend the Food Stamp Act and provide additional funding for the program. It authorized and appropriated an extra \$1.7 billion to enable the program to run through FY81 without benefit reductions, raising the total FY81 appropriation to some \$11.4 billion (P.L. 97-12 and P.L. 97-18). The Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35) made changes in the Food Stamp Act expected to achieve some \$5 billion in savings during FY82-FY84, over \$1.3 billion in FY82 alone, primarily by delaying indexing of benefits. The Agriculture and Food Act of 1981 (P.L. 97-98) extended the authorization for food stamp appropriations for 1 year, through FY82, established a limit on FY82 appropriations at \$11.3 billion, and made changes in the Food Stamp Act anticipated to save an additional \$700 million in FY82 (although costing Federal dollars in later years) by further delaying benefit indexing. And, \$10.3 billion was appropriated to fund the program into August 1982 (P.L. 97-103). (For further details on 1981 congressional action, see archived CRS IB81115, IB81132, and IB81133.)

However, major decisions were left unmade, to be faced in the 1982 session of Congress. The \$11.3 billion authorized for FY82 appropriation, let alone the \$10.3 billion actually appropriated, was thought, by some, to be too little to fund the program through the end of FY82 without benefit reductions. The decision to reauthorize appropriations only through FY82, which resulted from Congress' failure to either reconcile itself to the prospect of program costs exceeding \$12 billion in FY83 and \$13 and \$14 billion in later years or to enact further benefit cuts, left the program's future unclear and virtually guaranteed new budget reduction initiatives in

1982. As a result, the food stamp program was faced with several major "leftover" legislative battles in 1982 and decisions to be made on new initiatives put forward by the Administration and others.

FY82 FUNDING SHORTFALLS

Until the enactment of the FY82 urgent supplemental appropriation (H.R. 6685; P.L. 97-216) on July 18, 1982, FY82 food stamp appropriations (\$10.3 billion) were \$1 billion short of the amount authorized and felt minimally necessary to carry the program through FY82 without benefit reductions (\$11.3 billion). Some estimated that they were as much as \$1.3 billion short of the amount needed to guarantee no benefit reductions during FY82.

In response, it was generally agreed that a \$1 billion supplemental should be appropriated to bring total funding to the authorized ceiling, and the Administration so requested. This was implicit in a 1981 agreement between the Administration and Congressional leaders in the House. The finally enacted version of the FY82 urgent supplemental (after two other versions were vetoed for non-food-stamp-related reasons) contains the needed \$1 billion.

Further, because some estimates earlier this year indicated that, even with a \$1 billion supplemental appropriation, the program might be short by as much as \$300 million, there were proposals to take action with regard to this additional potential shortfall. But, it now appears that the issue of what to do about funding needs above the \$11.3 billion appropriated is moot. In essence, earlier estimates that as much as \$300 million more might be necessary have not proved out. According to a July 16, 1982, letter from the Secretary of Agriculture, enactment of the \$1 billion supplemental provides enough funding to maintain benefits through the end of FY82.

REAUTHORIZATION: THE ADMINISTRATION PROPOSAL (S. 2392/ H.R. 6194)

Although the revisions to the Food Stamp program proposed by the Administration as part of its reauthorization bill have, on the whole, been rejected by the Senate and House, they do form the major proposals that both chambers reacted to in legislating FY83-85 budget reductions substantially more modest than proposed by the Administration.

The Administration proposed to reauthorize appropriations for the program for 1 year, FY83, and to achieve substantial spending reductions through major structural changes in program benefit levels and whom the program serves, coupled with a shift of some spending responsibilities to the States. By Administration estimates, annual savings would have totaled to more than \$10 billion through FY85.

Estimates by the Congressional Budget Office (CBO) indicated that savings would total nearly \$9 billion through FY85.

Major Proposals. The major thrust of the Administration's proposals was to change benefit rules so that: (1) substantially more recipients' income would be counted in benefit calculations, and (2) legislatively guaranteed minimum benefits would be repealed. The effect of these changes would have been to reduce benefits to all recipients with "countable" income (i.e., those with incomes of more than about \$100 per month) by \$10 to \$15 per

household per month (on average) and to effectively lower the income eligibility standards to significantly below the present 130% of "poverty" (by reducing benefits to zero for about 10% of the present food stamp population, even though they would remain technically "eligible").

Specifically, it was proposed to: (1) reduce benefits by 35 cents for every dollar of "counted" income, rather than 30 cents; (2) count all earned income in benefit calculations, rather than disregarding a portion; (3) count all energy assistance received by food stamp households as income, rather than disregarding it; and (4) eliminate legislatively established minimum benefit protection that now guarantees eligible 1- and 2-person households a benefit of at least \$10 per month.

Present law reduces benefits by 30 cents for every dollar of "counted" income (a 30% "benefit reduction rate"). However, "counted" income excludes: (1) the first \$85 per month (a "standard deduction"); (2) an amount equal to dependent-care expenses plus a portion of shelter costs (if they are excessively high), up to a maximum of \$115 per month for most recipients; (3) an amount equal to the medical expenses of elderly or disabled household members, to the extent they exceed \$35 per month; (4) 18% of any earned income; and (5) noncash income and energy assistance income received by recipients.

Further, because income eligibility and benefits are not governed by the same formulas, existing law requires that 1- and 2-person households receive a \$10-a-month minimum benefit if they meet income and other eligibility criteria, even when an actual benefit calculation would grant them a smaller benefit or no benefit at all. Actual benefit calculations for larger households generally result in minimum benefits ranging from \$13 to over \$100 per month, without the need for a legislatively established minimum benefit.

By increasing the "benefit reduction rate" to 35%, the Reagan Administration proposals would have reduced benefits for all households with "counted" income (over 80% of the food stamp caseload) by an amount equal to 5% of their "counted" income (on average, about \$10 to \$15 per month). Requiring that all earned income be "counted" at the new 35% benefit reduction rate would have increased the rate at which earnings cut benefits from an effective rate of 25% to 35%; at any given point in time 20% of the food stamp population have earnings, and some 40% do so over the course of a year. Moreover, requiring that energy assistance be counted as income, at the new 35% benefit reduction rate, would have caused additional benefit reductions for those who also receive energy aid.

Finally, increasing the benefit reduction rate and counting all earned income and energy assistance, when combined with elimination of minimum benefit guarantees, would have effectively lowered the income eligibility limits, for most applicants, to between 80% and 125% of "poverty" (depending on household size), because benefits would be reduced to zero by the new benefit formula well before the nominal legal limits on gross income eligibility (130% of "poverty" for nonelderly, nondisabled households) were reached.

Although most food stamp households would have been affected by the proposed changes in benefit rules (only the minority with no "counted" income would not), the new rules would have affected different classes of recipients differently. Non-elderly, non-disabled households with no earnings would have been affected least; they would have experienced only a benefit loss equal to 5% of their "counted" income, but probably not lost eligibility

because they tend to have the lowest incomes among recipients. Increasing the benefit reduction rate (to 35 cents on the dollar for all types of income, with no special treatment for earnings and/or energy assistance) would have decreased benefits for those with earnings and/or energy assistance income even more; they would have experienced benefit losses equal to 5% of any unearned income, plus amounts equal to 10% of any earned income and 5% of any previously excluded energy assistance income. Eligibility losses (i.e., reduction to zero benefits) would have been concentrated among those with earnings and the elderly and disabled; over 20% of these two classes of households would probably have lost all benefits, versus some 10% for the recipient caseload as a whole.

Other Proposals. In addition to the major benefit revisions noted above, the Administration also proposed amendments in five other areas: (1) an amendment allowing food stamps to be counted as income in determining the amount of housing assistance to be provided to food stamp recipients; (2) amendments that would require that (a) benefit calculations always be rounded down to the nearest whole dollar, rather than to the nearest dollar, and (b) inflation adjustments to deduction levels always be rounded down to the nearest whole \$5 increment, rather than to the nearest \$5 increment; (3) an amendment that would impose a requirement that applicants, as well as recipients, conduct job-search activities to be eligible; (4) amendments that would limit the Federal share of State and local food stamp administrative expenses and eliminate Federal funding for work registration activities (discussed in CRS IB 82058); and (5) an amendment requiring that States eventually assume full financial liability for erroneously issued food stamps (discussed in CRS IB 82058).

The most controversial of these proposals, i.e., imposing liability on the States for erroneously issued food stamp benefits (discussed more fully, and in relation to similar proposals in other programs, in CRS IB 82058), deserves some elaboration.

Present food stamp law imposes liability on States for erroneously issued food stamps. However, if a State's rate of error in issuing food stamps (as determined by semi-annual sample surveys of its caseload) is less than the national average rate of error (according to the most recent available information: 10.6% of benefits issued) or if the State meets a federally set goal as to the rate of reduction in its error rate, no liability is imposed. In essence, present law sets relatively high "tolerance" levels of error before imposing liability. Further, the Secretary of Agriculture may waive any liability incurred and, so far, has done so in every case.

The revision proposed by the Administration would have, in effect, drastically lowered (and, eventually, eliminated) existing "tolerance" levels, imposing liability for the cost of errors to the extent it exceeds 3% of benefits in FY83, 2% in FY84, and 1% in FY85, with liability for the cost of all errors beginning in FY86. Under threat of this sanction, States were expected to significantly reduce the extent of erroneously issued food stamps (States are responsible for the day-to-day administration of the program under Federal rules), or pay the cost.

REAUTHORIZATION: SENATE ACTION (S. 2774)

In response to the FY83-85 budget resolution's directive to report cost reductions of some \$800 million in FY83, \$1 billion in FY84, and \$1.4 billion

in FY85 (a 3-year total of \$3.2 billion), the Senate Committee on Agriculture, Nutrition, and Forestry formulated a package of Food Stamp Act amendments, coupled with revisions in other programs under its jurisdiction, for inclusion in the Senate's FY83-85 budget reconciliation bill (S. 2774). In crafting its food stamp amendments, the Committee drew on proposals by Senator Helms (S. 2352), Senator Melcher (S. 2415), and Senator Hayakawa (S. 2480 and S. 2522); however, the major thrust of its recommendations followed proposals advanced by Senator Dole (S. 2493).

On Aug. 5, 1982, the Senate adopted its version of S. 2774, with only minor technical changes in the Committee's food stamp recommendations. The provisions of S. 2774 were later incorporated into the Senate's version of H.R. 6955, the Omnibus Reconciliation bill on which Congress took final action.

Estimated 3-year savings from the provisions adopted by the Senate in S. 2774 total \$4.2 billion, 31% above the amounts the Agriculture Committee was directed to save. Of the \$4.2 billion total, 60%, or \$2.5 billion was attributed to revisions in the Food Stamp program; the rest was credited to cuts in farm program spending.

In addition to putting food stamp budget reduction initiatives in the reconciliation bill, the Senate accepted the Agriculture Committee's suggestion to include in the bill a reauthorization of food stamp appropriations through FY85, thereby avoiding need for a separate food stamp reauthorization bill this year, plus changes in food stamp administrative rules and provisions that would increase costs.

REAUTHORIZATION: HOUSE ACTION (H.R. 6892 and H.R. 6955)

In response to the FY83-85 budget resolution's directive to report cost reductions of some \$800 million in FY83, \$1 billion in FY84, and \$1.4 billion in FY85 (a 3-year total of \$3.2 billion), the House Committee on Agriculture reported a package of Food Stamp Act amendments, coupled with revisions in other programs under its jurisdiction: H.R. 6892, the Food and Agriculture Reconciliation Act. In drafting its food stamp amendments, the Committee drew on proposals by Rep. Coleman (H.R. 6394), and its subcommittee on domestic marketing, consumer relations, and nutrition (H.R. 6844).

On Aug. 10, 1982, the House adopted H.R. 6892, with no changes in the Committee recommendations. The provisions of H.R. 6892 went to conference with the Senate's reconciliation bill (S. 2774), along with other House budget reduction measures as part of H.R. 6955, which packaged all House reconciliation provisions together.

The House recommendations were expected to achieve cost savings, by CBO estimates, that exceeded the amounts the Committee was directed to save, if calculated as reductions in outlays. The estimated savings were \$1.3 billion in FY83; \$1.7 billion in FY84, and \$1.6 billion in FY85. Of these savings, Food Stamp program revisions accounted for about \$300 million in FY83, \$400 million in FY84, and nearly \$600 million in FY85--significantly smaller than the \$800-\$900 million annual savings recommended by the Senate. The remainder of the savings were attributed to reductions in farm program spending.

In addition to including food stamp budget reduction initiatives in its reconciliation bill, the House, like the Senate, chose to include in the bill

a reauthorization of food stamp appropriations through FY85, provisions that would increase costs, and various revisions to the administrative rules of the Food Stamp program.

FINAL ACTION

On Aug. 18, 1982, the House and Senate adopted the conference agreement on the Omnibus Reconciliation Act of 1982 (H.R. 6955), thereby completing congressional consideration of the 1982 Food Stamp Act amendments intended to achieve food stamp budget reductions, reauthorize the program's appropriations, and make numerous changes in administrative rules. The President signed H.R. 6955 into law on Sept. 8, 1982, as P.L. 97-253. The food stamp portion of H.R. 6955 is expected to achieve net savings of \$500-\$800 million annually through FY85, for a 3-year total of \$1.9 billion. While this represents 60% of the \$3.2 billion in savings that the two Agriculture Committees were directed to achieve in all programs under their jurisdiction by the FY83-85 budget resolution, it represents only 27% of the final spending reductions achieved in Agriculture Committee programs, i.e., \$7 billion over the next 3 years.

Appropriations Authorization and Spending Ceilings

In adopting the conference agreement that became P.L. 97-253, Congress voted to extend the authorization of appropriations for the Food Stamp program (including authorized appropriations for the Puerto Rico nutritional assistance block grant mandated by the 1981 Omnibus Budget Reconciliation Act) for 3 years, through FY85. In addition, it approved limits on authorized appropriations: \$12.874 billion in FY83; \$13.145 billion in FY84; and \$13.933 billion in FY85 (in each case including an annual allowance of \$825 billion for Puerto Rico).

These appropriations ceilings are substantially above current Congressional Budget Office (CBO) estimates of future program spending after reductions are taken into account. They include a 5% "cushion" for unexpected costs and the uncertainty of the estimates and an allowance for costs imposed on the food stamp program due to budget reductions in other Federal aid programs. However, they might turn out to be insufficient to fully fund benefits, if (1) budget reductions in other programs (e.g., Aid to Families with Dependent Children (AFDC)) limit recipients' cash income more than CBO anticipates, and/or (2) economic conditions are significantly worse than now projected by CBO.

In adopting the FY83-85 food stamp spending ceilings now approved by Congress, the conference resolved two major issues by: (1) accepting a Senate proposal to include a "cushion" for unexpected costs and the uncertainty of the estimates; and (2) accepting a House proposal to include the \$825 million for Puerto Rico within the overall appropriations authorization, thereby guaranteeing Puerto Rico the first \$825 million appropriated for food stamps rather than setting up a separate appropriations authorization of up to \$825 million for Puerto Rico.

Budget Reduction Revisions

P.L. 97-253 anticipates net food stamp savings of \$1.939 billion for FY83 through FY85: \$548 million in FY83; \$635 million in FY84; and \$756 million

in FY85. This is almost exactly half-way between the savings level proposed by the Senate (\$2.5 billion) and that proposed by the House (1.3 billion). However, gross savings are expected to be slightly higher than the net savings noted above, because the conference agreement contains three provisions (discussed later) that would increase costs by nearly \$30 million annually. After the reductions are in place, food stamp spending is expected to stay in the \$12 billion-a-year range over the next few years, a modest increase over current \$11.3 billion costs.

The spending reductions are attributed to program revisions that make little or no change in benefit structure or eligibility rules and, hence, essentially preserve the character of the program and its present recipient population.

1. Inflation Indexing. Nearly 30%, or \$550 million, of the \$1.9 billion 3-year savings are achieved through revisions to the food stamp inflation indexing system. In essence, these revisions delay future benefit increases and make them smaller than they would be under existing law, but do not affect existing benefit levels.

Most of the indexing savings are achieved by requiring that, beginning with the October 1982 inflation adjustment and ending with the October 1984 adjustment, benefit levels reflect only 99% of the cost of purchasing a nutritionally adequate low-cost diet, after adjustment for inflation; the cost of this diet is calculated from the Department of Agriculture's "Thrifty Food Plan." In general, this will mean that each participating food stamp household will not get between \$1 and \$5 per month in added benefits it would otherwise have received if benefit levels reflected the full, inflation-adjusted cost of purchasing an adequate low-cost diet.

Small savings, some \$40 million in FY83, are anticipated from delaying inflation indexing of food stamp deduction levels. Deductions in the Food Stamp program affect benefit levels, and, sometimes, eligibility by requiring that a portion of recipients' income be disregarded in benefit and some eligibility calculations; for example, for every \$10 of disregarded income, benefits increase by \$3 per month. Three deductions are affected by inflation indexing. The "standard deduction" is an amount, \$85 per household per month since January 1981, that is disregarded in calculating the benefit of every household, and the income eligibility status of households with an elderly or disabled member; it is indexed to changes in the Consumer Price Index (CPI) for all items except food. The "excess shelter expense deduction" allows the disregard of an amount of income equal to a portion of a household's shelter expenses, if those expenses are excessively high. The "dependent care deduction" allows the disregard of an amount of income equal to the cost of caring for a dependent, if the need for such care is related to employment. For households without an elderly or disabled member, the amount disregarded for excessively high shelter expenses and the cost of dependent care, taken together, cannot exceed an inflation-indexed ceiling, \$115 per household per month since January 1981; this "shelter/dependent-care deduction cap" is indexed to changes in the CPI elements reflecting shelter costs. For households with an elderly or disabled member, only the dependent-care deduction is "capped" at \$115.

In P.L. 97-253, Congress voted to achieve some FY83 savings by delaying the next adjustment of the standard deduction and shelter/dependent-care deduction cap, now scheduled for July 1983, until October 1983. As a result, benefit increases that would have occurred as more recipient income was disregarded beginning in July 1983 will be delayed until October 1983. All

households receive the benefit of the standard deduction and would thus be affected; approximately one-quarter of food stamp households, those at the present \$115 shelter/dependent-care deduction ceiling, would be affected by the delay in its adjustment.

Indexing revisions that were rejected by the conferees in drafting the agreement passed by Congress include proposals to reduce the size of future inflation adjustments by using different time periods to measure inflation, and a proposal to delay indexing of the standard deduction until October 1984.

2. Error Rate Reduction. Another 30% of the food stamp savings in P.L. 97-253 (\$615 million for FY83-85) are attributed to a reduction in the level of erroneously issued benefits, prompted by a revision of the goals for error-rate reduction and a new system of fiscal penalties and incentives to encourage better State administration. It is hoped that some \$90 million in erroneous benefits can be avoided in FY83, \$200 million in FY84, and \$325 million in FY85.

Present law imposes full financial liability on States for the cost of erroneously issued food stamps if they exceed certain, relatively high "tolerance" levels of error. And, three different financial incentives are granted to States with low levels of erroneously issued benefits.

Under the restructuring adopted by Congress, and proposed in both the House and Senate versions of reconciliation, the goals that States are to aim for, the "tolerance levels," are made explicit in the Food Stamp Act and lowered. In addition, rather than imposing full financial liability as a sanction on States, the reconciliation measure would penalize States by reducing the 50% Federal contribution for State administrative costs.

States are expected to reduce their "error rates" to an ultimate goal of 5% of benefits issued by FY85, a sharp cut from the most recent national average error rate of 10.6% (for the period October 1980 through March 1981). In FY83, they would be expected to achieve a one-third reduction, using error rates compiled for the first 6 months of FY81 as the base from which to reduce. In FY84, they would be expected to be two-thirds of the way to a 5% error rate. And, in FY85 they should reach the 5% goal. Thus, a State whose level of erroneously issued benefits (overissuances and issuances to ineligible households) was 14% in the first half of FY81 would be expected to reduce it to 11% in FY83, 8% in FY84, and 5% in FY85. This revision in the goals that States are to aim for in their error-rate reduction efforts significantly lowers food stamp tolerance levels of error; States are asked to aim for the national average (now around 10%) under present rules.

If a State does not meet its error reduction goal, the reconciliation measure will penalize it with the loss of 5% of the Federal share of its administrative costs for each of the first three percentage points (or fraction thereof) by which it misses its target, and a loss of 10% for each percentage point by which it misses its goal by more than three points. Thus, a State that should have reduced its error rate to 11% in FY83, but only reduces it to 13%, would lose 10% of the Federal contribution to its administrative costs. However, States with error rates below 9% in FY83, 7% in FY84, and 5% in FY85 and future years would not be sanctioned, even if they did not meet their one-third reduction goal, in order not to overly penalize States that began with relatively low error rates. This revision significantly softens sanctions for excessive errors, on the theory that administrative costs should be the target of a system penalizing bad

administration and that smaller sanctions will be more likely actually to be imposed (under the present system, sanctions have commonly been waived).

Finally, P.L. 97-253 revises the existing financial incentives for States with very low error rates to maintain them. A single incentive (an increase in the Federal share of a State's administrative expenses from the standard 50% to 60%) is made available to States with error rates below 5% (if they also meet standards for low rates of underissuance and improper denial of benefits). The existing system grants a 65% Federal share to these States, along with increases to 60% and 55%, respectively, for States with rates between 5% and 8% and those that make large error rate reductions even though their rates remain high. This change in the incentive system significantly limits the availability of incentive payments to the States.

3. Standard Utility Expense Allowances. Nearly \$100 million annually, for a 3-year total of \$280 million, is anticipated to be saved from provisions that will limit the use of "standard utility expense allowances" when food stamp administering agencies calculate households' shelter expenses to determine the size of their shelter expense deduction, if any.

Standard utility expense allowances are used to simplify administration of the food stamp program by allowing administering agencies to credit households with a standard monthly utility expense, thus eliminating, in many cases, the need to investigate and verify actual expenses. Under current rules, States are required to develop and use standard allowances and, if a household incurs any type of utility expense, it may either claim the standard allowance (which may be higher than its actual expenses) or claim its actual expenses if higher than the standard, whether it shares its residence and utility costs with other or not.

In passing H.R. 6955, Congress accepted provisions advanced by both the House and Senate that permit the use of standard allowances at State option rather than requiring them as current regulations do. The reconciliation measure also limits their use to households that incur a heating or cooling expense, bars their use in certain centrally metered public housing units, and requires prorating of standard allowances where more than one household shares a residential unit and utility expenses. As a result, any standard allowances claimed by food stamp households will, more likely, be closer to actual expenses than has been the case under present regulations, and some households' benefits, as a consequence, lower.

4. Eligible Households. P.L. 97-253 includes three revisions that would limit the number of eligible households. Taken together, they are expected to reduce spending by approximately \$50 million annually, for a 3-year total of some \$150 million.

Most of the savings are attributed to a requirement that siblings living together apply for food stamps together, adding to the current rule requiring a single household application from parents and children living together. Elderly and disabled persons are exempted from this requirement (as they are from the rule requiring a single application from parents and children) and they, like others, would either apply together with the rest of their residential unit (if they purchase and prepare food together) or apply separately (if they do not purchase and prepare food together). This revision saves money because smaller households receive larger per person benefits and the amendment would result in fewer of smaller households applying. In adopting this revision, conferees rejected a Senate proposal to require all related persons to apply together.

Savings of less than \$10 million annually are expected from a revision in the rules governing the eligibility of post-secondary students. At present, post-secondary students may be eligible (when they meet the normal income, assets, and other eligibility tests) if they are mentally or physically unfit, under age 18 or age 60 or over, employed at least 20 hours per week, engaged in a Federal work-study program, in school as part of ADFC Work Incentive (WIN) program, or have one or more dependents. P.L. 97-253 will restrict eligibility under the last of these tests to those post-secondary students with dependents under age 12, in most cases, or those who also receive AFDC benefits, thereby removing up to 10,000 students from food stamp rolls.

Finally, minor savings of some \$5 million annually are anticipated from an additional income eligibility test for households without an elderly or disabled member. These households, which now must have gross monthly income below 130% of the Federal poverty levels in order to be eligible, will also have to show net monthly income (after all available deductions have been subtracted from their gross income) below the poverty levels. Approximately 5,000 households would be affected.

5. Rounding Benefits Down. The reconciliation measure will reduce spending over the next 3 years by well over \$200 million by changing the rounding rules in the Food Stamp program. First, each household's actual benefit calculation will be rounded down to the nearest whole dollar, rather than rounded to the nearest dollar. Second, inflation adjustments to benefit levels will be rounded down to the nearest whole dollar, rather than rounded to the nearest dollar. Finally, inflation adjustments to deduction levels will be rounded down to the nearest whole dollar, rather than rounded to the nearest \$5 increment.

6. Job Search Requirement. Three-year spending reductions of approximately \$20 million are expected from a revision of the requirement that unemployed able-bodied adult recipients not caring for young children actively search for employment. P.L. 97-253 will allow States, at their option, to require that applicants, as well as recipients, engage in "job search." In adopting this revision, conferees rejected Senate proposals that would have altered the disqualification period for those who fail to comply with job search requirements and given the Secretary of Agriculture, rather than States, authority to order job search for applicants.

7. Expedited Service. P.L. 97-253 will significantly alter existing rules as to who must be provided food stamps on an expedited basis because of immediate need, and how fast service must be. First, administering agencies are given up to 5 days to provide food stamps to those in immediate need, rather than the current 3 days. Second, households that may receive expedited service are limited to those with gross income below \$150 per month (or headed by destitute migrant or seasonal farmworker) and liquid assets of \$100 or less; currently there is no special liquid assets test and the income test is somewhat more liberal. Third, expedited service is not required more than once every 6 months for nonimmigrant households.

Because cases in which expedited service is provided are particularly subject to error, these new limitations are expected to reduce erroneous benefits and lower spending by about \$50 million over the next 3 years. In approving these revisions to the expedited service rules, conferees rejected proposals that would have retained current rules, set a lower gross income test (i.e., \$85 per month), and allowed the Secretary of Agriculture to

change expedited service rules for migrants.

8. Prompt Reduction or Termination of Benefits. Annual savings of \$10 million are expected from a revision of the Food Stamp Act that will allow administering agencies to reduce the benefits immediately (or immediately terminate the eligibility) of a household that has provided clear, written information requiring such action. Under existing law, the agency must wait at least 10 days after receipt of such information before it can move to reduce or terminate benefits, and, in some cases, a full additional month's benefit may be provided because of conflicts with schedules for issuing food stamps.

9. Prorating Benefits. P.L. 97-253 envisions 3-year savings of some \$50 million from two changes in rules for prorating benefits. Most of the savings would result from a new rule proposed by the House requiring that no first-month benefit be issued if it is less than \$10 because it has been prorated to reflect the date of application (i.e., the household applied very near the end of the month). In addition, small savings are expected from a revision proposed by the Senate that allows benefits to be prorated according to the date of application, as is now the case for new applicants, for households seeking to be recertified eligible after their eligibility has run out. As a result, households that do not reapply to extend their current eligibility before it runs out would have their benefit for the month of reapplication adjusted (prorated) to reflect the date on which they reapply. Under present law, households may reapply within 30 days after their eligibility has expired and retain full, unreduced benefits.

10. Noncompliance With Other Programs. Finally, 3-year savings of less than \$10 million are expected from a revision that prohibits an increase in food stamp benefits on grounds of a reduction in household income, if that reduction represents a penalty imposed by another program for intentional violation of its rules.

Spending Increase Revisions

A spending increase of nearly \$30 million annually is expected to result from three decisions to liberalize food stamp benefit rules for the elderly and disabled. As recommended by both the House and Senate, P.L. 97-253 would require that increases in the cash income of food stamp recipients due to normal July inflation adjustments to social security, Supplemental Security Income (SSI), railroad retirement, and veterans' payments not be counted as income in the calculation of food stamp benefits until food stamp benefit levels are indexed for food-price inflation in October. This proposal coordinates the timing of food stamp inflation adjustments with those in the major Federal cash benefit programs for the elderly and disabled; it also prevents a 3-month decrease in food stamp benefits that would otherwise occur between July and October. In addition, the reconciliation measure adopts proposals by both the House and Senate to expand the food stamp definition of "disabled" to include severely disabled veterans and their disabled survivors, in addition to recipients of social security or SSI disability payments. This revision gives these added classes of beneficiaries the more liberal treatment the Food Stamp program accords disabled persons in benefit and eligibility calculations. Finally the reconciliation measure adopts a House proposal to allow elderly persons who cannot purchase and prepare food separately because of a disability to apply as a household separate from the rest of their residential unit, as long as the household they live with has a gross income of less than 165% of the Federal poverty levels (roughly \$15,000

per year for a 4-person household). This revision will produce larger benefits, and make eligibility more likely, for these persons since they would be applying on their own, rather than having their income lumped together with that of the rest of their residential unit. Normally, elderly persons (and others) must apply with the remainder of their residential unit unless they purchase and prepare food separately.

Other Revisions Voted by Congress

Both the House and Senate versions of the reconciliation measure included numerous changes in the administrative rules of the Food Stamp program, in addition to recommendations affecting the cost of the program and a reauthorization appropriations. P.L. 97-253 adopts many of them.

Puerto Rico. The reconciliation measure prohibits Puerto Rico from providing nutritional assistance in the form of cash under the terms of its \$825 million annual nutritional assistance block grant, beginning in FY84. In addition, it requires a study of the effects of the current cash nutrition assistance program in Puerto Rico.

Reporting Requirements. As suggested by the House, P.L. 97-253 expands the categories of households exempted from the requirement to report monthly on income and other household circumstances to include: (1) households in which all adult members receive SSI benefits; and (2) other categories of households for whom monthly reporting is judged not to be cost-effective. Present law exempts migrant farmworker households, and households without earned income in which all members are either age 60 or older or receive SSI benefits. In addition, as proposed by the Senate, P.L. 97-253 permits the waiver of food stamp monthly reporting rules to allow a consistent monthly reporting system between food stamps and the AFDC program.

Assets. P.L. 97-253 requires that rules governing what assets an eligible food stamp household may have not vary from those in effect June 1, 1982, except for rules about vehicles; this revision would recognize certain minor definitional adjustments made under prior law, which required that rules not vary from those in effect in June 1977, and would allow future, minor adjustments in details of assets rules. The reconciliation measure also allows certain retirement savings (e.g., savings accounts, IRAs, and Keogh Plans) to be counted as assets, and permits States to consider a household as having met the food stamp assets test if all members receive AFDC benefits and the household has an income not exceeding food stamp gross income limits.

Voluntary Quit. The reconciliation measure adopts both House and Senate recommendations for change in the existing rules for disqualifying households in which the primary earner has voluntarily quit a job without good cause. The period of disqualification is extended from 60 to 90 days; the Secretary of Agriculture is allowed to revise existing rules as to when the period of disqualification is to begin; and the definition of a voluntary quit is expanded to include government employees who have been dismissed from their job because of participation in a strike.

Work Registration and Job Search. In addition to the budget reduction amendment involving job search for applicants (discussed earlier), P.L. 97-253 adopts a Senate proposal to remove the present exemption from food stamp work registration and job search requirements accorded to parents of children where another parent is subject to the requirements, thereby requiring the "second parent" to register for employment and look for a job

when the youngest child reaches age 6. As is currently the case for the "first parent," a "second parent" would not be required to accept a job unless adequate child-care is available or the youngest child is age 12 or older. Further, the law eliminates the current requirement for Department of Labor participation in the issuance of food stamp work registration and job search regulations, allowing these requirements to be administered either by State employment service offices (as is now done) or by other agencies.

Workfare. As proposed by the Senate, P.L. 97-253 allows political jurisdictions to meet food stamp workfare requirements by operating workfare programs similar to those permitted under the Food Stamp Act, for example, by "piggybacking" food stamp workfare participants onto an existing AFDC workfare program. Further, it adopts Senate amendments that (1) restrict the categories of food stamp recipients who are exempt from having to participate in workfare by making the exemption for participants in an AFDC WIN program a State option (rather than a requirement) and (2) increase the maximum number of hours that could be required of a workfare participant to 30 hours per week (in combination with any other employment), rather than the present 20-hour-a-week maximum. Finally, it includes a House proposal to return to administering agencies half of the first 3 months' food stamp benefit savings from those who have participated in a workfare program and become employed.

Employment Requirement Pilot Project. P.L. 97-253 authorizes up to four pilot projects to determine the effects of making most able-bodied adult food stamp recipients ineligible if they do not meet certain requirements about employment (e.g., if they are not employed at least half-time or in a workfare program, after a "grace period" in which to search for a job). The conferees rejected the original Senate proposal for up to seven pilot projects.

Migrant Income. P.L. 97-253 accepts a House proposal to prohibit the Secretary of Agriculture from waiving the Food Stamp Act provision that requires that, when judging eligibility and benefits, State agencies may not use a migrant household's prior month's income.

Reporting Forms. P.L. 97-253 includes a Senate proposal that removes the present requirement that forms used by recipients to make reports of changes in income or other household circumstances be designed or approved by the Secretary of Agriculture.

Approval of State Agency Materials. The reconciliation measure eliminates the current requirement for prior Federal approval of changes in State agency instructions, interpretations of policy, methods of administration, forms, or other materials or procedures.

Points and Hours of Certification and Issuance. P.L. 97-253 eliminates the present requirement that States comply with Federal standards with regard to where food stamps are issued and households certified eligible, and the hours of such services, as proposed by the Senate.

Special Certification Rules. As proposed by the Senate, P.L. 97-253 eliminates requirements that States include food stamp applications with applications for AFDC or general assistance and certify AFDC households for food stamp eligibility on the basis of information in their AFDC casefiles.

Authorized Representatives. P.L. 97-253 permits the Secretary of Agriculture to restrict the number of households that an individual may represent in obtaining and using food stamps, and to establish other

standards for such "authorized representatives" and the types of households that may be represented, as proposed by the Senate.

Alternative Issuance Systems. P.L. 97-253 adopts a House proposal to allow the Secretary of Agriculture to require that benefits be issued in a form other than food stamps, as long as the cost of any new systems is not imposed on participating retail food stores.

Nonduplication of Benefits. Under the reconciliation measure, State agencies would be required to ensure that individuals who receive their food stamp benefit in cash are not also receiving food stamps, as proposed by both the House and Senate, and to establish systems to check on whether individuals are receiving food stamp benefits in more than one political jurisdiction, as proposed by the Senate.

Collection of Overissuances. P.L. 97-253 adopts a number of Senate-suggested revisions in the rules governing the collection of overissued benefits. Current policy allowing States to devise and use new means to collect overissued benefits, and granting them a share of recouped benefits, are to be stipulated in the Food Stamp Act. In addition, the household of a person disqualified for fraud or other intentional violations of the Act or regulations is to be given 30 days from a demand for an election to choose whether to repay benefits owed in cash or through reduced future benefits.

Disclosure of Information. P.L. 97-253 includes a proposal by both the House and Senate that allows the disclosure of information obtained from food stamp households to persons administering or enforcing other Federal assistance programs of federally aided State programs.

House-to-House Trade Routes. As suggested by the Senate, P.L. 97-253 authorizes the Secretary of Agriculture to limit house-to-house trade routes authorized to accept food stamps to those deemed reasonably necessary to provide adequate access to recipient households, provided it is found that unlimited approval of these routes damages the integrity of the Food Stamp program.

Retail Food Stores: Disqualification and Penalties. As recommended by the Senate, the reconciliation measure raises the maximum civil money penalty that can be imposed on retail food stores violating the Act or regulations and significantly increases the disqualification periods that may be imposed for such violations.

Bonding for Retail Food Stores. P.L. 97-253 adopts a Senate provision to permit the Secretary of Agriculture to require food stores that have previously been disqualified or subjected to a civil money penalty to furnish a bond to cover the value of food stamps they may, in the future, redeem in violation of the Act or regulations.

Studies. P.L. 97-253 requires a special study on the effects of food stamp budget reduction initiatives adopted in the 97th Congress (1981 and 1982).

DISCUSSION

Five major issues arose in the consideration of 1982 food stamp

reauthorization legislation as part of the budget reconciliation process.

1. The size of cost savings to be achieved, including the distribution of cost savings between the food stamp program and farm programs. After rejecting 3-year food stamp budget cuts as low as \$1.4 billion (proposed by Sen. Dole) and as high as \$9-\$10 billion (proposed by Sen. Helms and the Administration), the Senate chose food stamp reductions of \$2.5 billion for FY83-85, 60% of its Agriculture Committee cuts. In the House, \$1.3 billion in food stamp reductions were made; these reductions were substantially lower than those put forward by the Administration (about \$10 billion), Rep. Coleman (some \$2.8 billion) and, on the House floor, by Mr. Wampler (\$1.5 billion); they represented 30% of its Agriculture Committee reductions. Opponents of the larger budget reductions argued that the nearly \$5 billion already cut from food stamp spending for FY82-84 in 1981 legislation was enough and that the program should be subjected to few if any cuts this year especially since high unemployment has reduced the capacity of many families to pay for food. They also argued that food stamps should not bear the brunt of the budget reductions required of the agriculture committees. Proponents of the larger proposed reductions maintained that, to keep food stamp spending stable, further substantial action was needed. Otherwise, they said, the cost of the program could grow by billions over the next few years. They also pointed out that the major changes made in 1981 legislation were simply delays in benefit increases, not real benefit reductions. In the end, Congress chose to take modest savings of \$1.9 billion through FY85, halfway between those proposed by the House and Senate. At present, the combination of 1981 and 1982 budget reductions are expected to stabilize program costs to the \$12 billion-a-year range for the next few years.

2. Whether to reauthorize the program's appropriations for 1 year, or longer. Proposals for 1-year extensions put forward by the Administration and Sen. Helms were rejected early on in committee consideration, and both the House and Senate approved a 3-year extension. In essence, those proposing a 1-year reauthorization of appropriations wanted an assurance that they would have a vehicle (another reauthorization bill) for making program changes in 1983, in light of the budget situation at the time and in expectation that the full extent of budget reductions some propose this year might be difficult to achieve in an election year. Opponents argued that the Food Stamp program should be left alone to stabilize itself, after having been subjected to major "wrenches" through numerous amendments over the last few years; these changes they contended, have contributed heavily to the difficulty of administering an efficient and abuse-free program.

3. Whether there should be a ceiling on food stamp appropriations, as has been the case over the last 5 years, and what it should be. The Administration, Sen. Helms, Rep. Coleman and others proposed to "cap" appropriations, albeit at different levels of spending, while Sen. Dole and others proposed an open-ended appropriations authorization. Proponents of spending "caps" urged them as a means of assuring continued congressional scrutiny and said that the constant attention that they have focused on food stamp spending in the past has contributed to substantial tightening of program rules and administration. Opponents argued that spending "caps" have encouraged "over-legislating" the program and are necessarily based on guesses about future economic conditions that, if accurate, make them unneeded, or, if inaccurate (because economic conditions become worse than expected) make them arbitrary limits on a program that is intended to respond when economic conditions are bad. In adopting their budget reconciliation

bills, both the House and Senate accepted the concept of continuing to impose ceilings on food stamp appropriations, thereby mooting the large issue. However, the question of whether there should be a "cushion" built into the "caps," in recognition of the uncertainty of estimates, as recommended by the Senate, remained for resolution by the House-Senate conference. In the end, Congress chose to accept the Senate's allowance for a 5% "cushion" to allow for uncertain estimates.

4. How to achieve food stamp budget reductions. A sharp split was evident here, reflected in the wide disparity in cost reductions achieved by the major proposals. In 1981 legislation, Congress used up most of the methods of achieving large cost reductions without actually reducing or eliminating benefits in hand to a significant proportion of recipients--primarily by delaying inflation indexing and thereby forcing food stamp recipients to "stretch" their benefits to meet food costs in the face of continuing inflation. In 1982, the Administration and, to a lesser extent, Sen. Helms proposed basic structural changes in the program that would have reduced or eliminated benefits to a substantial proportion of recipients in order to achieve major cost reductions--significantly limiting the population the program serves and reworking the benefit system. On the other hand, Sen. Dole, Rep. Coleman, and others opted for the much more modest savings that could still be achieved through amendments that did not change the character of the food stamp program or its beneficiary population--again, as last year, relying on further adjustments to inflation indexing (delaying them and making them smaller) and reductions in the level of erroneous payments. With some differences, the House and Senate both opted for the more modest savings approach and rejected changes in the structure of the program. The final reconciliation measure also followed the approach of taking only modest savings and rejected the one structural change that remained under consideration -- the Senate proposal to allow States to opt out of the Food Stamp program and run their own program with a federally financed block grant.

5. The extent to which administrative rules should be changed and the degree to which States should share in the cost of the program. The Senate proposed a much larger number of administrative changes than the House. These were primarily aimed at removing Federal requirements on State administrators and tightening Federal rules governing retail food stores and the provision of expedited service. In addition, both bills proposed revision of the error reduction system that will have the effect of shifting some costs to the States. Those arguing in favor of returning more responsibility to the States and making them more liable for the cost of the program contended that, in a State-administered program like food stamps, States should be given a high degree of administrative discretion and, concurrently, should bear the cost of erroneous payments made due to their mistakes. Those opposing changes and arguing for smaller penalties on States for erroneous payments contended that the Federal administrative rules proposed for change were needed for the protection of recipients and that heavier penalties on States would take away the financial resources needed to improve administration. In the end, a modest number of administrative rule changes were made, freeing State and local administrators of a number of Federal controls, and increased State sharing of administrative, not benefit, costs was legislated (if levels of erroneous payments are not reduced).

LEGISLATION

P.L. 97-18, H.R. 3991

Raises the ceiling on authorized appropriations for FY81 from \$9.7 billion to \$11.4 billion. Signed into law June 30, 1981.

P.L. 97-35, H.R. 3982

Omnibus Budget Reconciliation Act of 1981. Title I includes various revisions to the Food Stamp program intended to achieve some \$5 billion in cost reductions for FYs 82-84. Introduced June 19, 1981; referred to Committee on Budget. Reported June 19 (H.Rept. 97-158). Passed House, amended, June 26. Passed Senate in lieu of S.1377, July 13. Conference report (H.Rept. 97-208) filed July 29. Conference report approved by the House and Senate, July 31, 1981. Signed into law Aug. 13, 1981.

P.L. 97-98, S. 884

Agriculture and Food Act of 1981. Extends the Food Stamp Act's authorization for appropriations through FY82 and makes other changes in the Food Stamp program. Introduced Apr. 7, 1981; referred to Committee on Agriculture, Nutrition and Forestry. Reported, amended, May 27 (S.Rept. 97-126). Passed Senate, amended, Sept. 18, 1981. Passed House, amended, Oct. 22, 1981. Conference report (H.Rept. 97-377) filed Dec. 9, 1981. House and Senate approved conference report Dec. 16, 1981. Signed into law Dec. 22, 1981.

P.L. 97-253, H.R. 6955

Omnibus Budget Reconciliation Act of 1982. Incorporates FY83-85 budget reduction initiatives for the Food Stamp program. Introduced Aug. 10, 1982. Passed House Aug. 10, 1982. Passed, amended, Senate Aug. 11, 1982. Conference report (H.Rept. 97-759) adopted by House and Senate Aug. 18, 1982. Signed into law Sept. 8, 1982.

CHRONOLOGY OF EVENTS

- 09/08/82 -- President signed H.R. 6955, Omnibus Reconciliation Act of 1982 (P.L. 97-253).
- 08/18/82 -- House and Senate adopted conference report on H.R. 6955 (H.Rept. 97-759) containing FY83-85 food stamp budget reductions.
- 08/11/82 -- Senate adopted its version of H.R. 6955, incorporating budget reduction in S. 2774.
- 08/10/82 -- House adopted H.R. 6892, proposing food stamp, and other spending reductions, then incorporated these provisions as part of its version of H.R. 6955.
- 08/05/82 -- Senate adopted S. 2774, its Omnibus Reconciliation Act of 1982, proposing food stamp and other spending reductions.
- 07/18/82 -- President signed third "urgent supplemental" (H.R. 6685) containing \$1 billion supplemental for

FY82 food stamp costs, P.L. 97-216.

- 06/28/82 -- Senate passed amended version of third "urgent supplemental" bill (H.R. 6685), containing \$1 billion for FY82 food stamp costs.
- 06/25/82 -- President vetoed second "urgent supplemental" bill (H.R. 6682), containing \$1 billion for FY82 food stamp costs.
- 06/24/82 -- President vetoed first "urgent supplemental" bill (H.R. 5922), containing \$1 billion for FY82 food stamp costs.
- House and Senate passed second "urgent supplemental" bill (H.R. 6682), containing \$1 billion for FY82 food stamp costs.
- House passed third "urgent supplemental" bill (H.R. 6685), containing \$300 million for short-term funding of FY82 food stamp costs.
- 06/23/82 -- Senate approved conference agreement on FY83-85 budget resolution.
- 06/22/82 -- House approved conference agreement on FY83-85 budget resolution.
- 06/18/82 -- Conferees on the FY83-85 budget resolution reached agreement on \$3.2 billion in food stamp budget reductions; \$800 million in FY83; \$1 billion in FY84; \$1.4 billion in FY85.
- 06/10/82 -- Conferees on the FY82 urgent supplemental reached agreement on a \$1 billion FY82 food stamp supplemental appropriation.
- 06/09/82 -- Senate Committee on Agriculture, Nutrition, and Forestry began consideration of 1982 food stamp reauthorization legislation.
- 05/27/82 -- Senate passed first "urgent supplemental" bill (H.R. 5922), containing \$1 billion for FY82 food stamp costs.
- 05/12/82 -- House passed first "urgent supplemental" bill (H.R. 5922), containing \$1 billion for FY82 food stamp costs.

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