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UNITED STATES GENERAL ACCOUNTING OFFICE
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FEDERAL PERSONNEL AND
COMPENSATION DIVISION

DECEMBER 9, 1980

E-201405

The Honorable Sam Nunn
Chairman, Subcommittee on Manpower
and Personnel
Senate Committee on Armed Services



114059

Dear Mr. Chairman:

Subject: Military Personnel Eligible for Food Stamps
(FPCD-81-27)

This report is in response to your request for information on military personnel eligible for and receiving food stamps. As you know, there have been reports that from 100,000 to as many as 275,000 military families are eligible to receive food stamps. This implies that the Federal Government is paying its military members a poverty wage, which could adversely affect the services' ability to attract and retain personnel. Because of the continual use of this information and its potential impact on military compensation, we have evaluated the validity of the most widely quoted estimates, prepared our own estimate, and examined whether military personnel would be eligible for other public assistance programs.

Our review showed that, of 1.8 million enlisted military personnel, approximately 19,700 members were potentially eligible for food stamps at the beginning of fiscal year 1980. The Department of Defense (DOD) estimated 24,000. Our estimate, like DOD's, was based on a comparison of the cash elements of regular military compensation to U.S. Department of Agriculture (USDA) food stamp eligibility criteria. Other estimates, however, were calculated using different methods. For example, one estimate which showed 275,000 members potentially eligible for food stamps was based solely on a military member's basic pay and did not consider other sources of military income, such as allowances for quarters and subsistence,

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and special and incentive pays. According to USDA income criteria, all cash income received by a household must be included in determining eligibility.

For fiscal year 1981, we estimate that 21,000 military members are potentially eligible for food stamps. Even with the 1981 increase in military compensation, the number of members potentially eligible for food stamps increased because USDA's net monthly income eligibility standards increased in July 1980, as well as the number of E-4 and E-5 personnel with a family size of three to six. The number of members eligible could increase again in July 1981 when USDA adjusts its income eligibility standards.

In addition to estimating food stamp eligibility, we also reviewed eligibility criteria for some 60 welfare programs and found that most are either targeted to a specific category, such as aid to families with dependent children, or have eligibility determined on a State or local government level. These income eligibility levels are well below what military personnel receive in pay and bonuses. Only in extreme cases, such as an E-1 or E-2 with four to five children, would the military household be eligible to receive benefits provided by the various public assistance programs.

In estimating the number of military personnel eligible to receive food stamps, we reviewed (1) DOD's annual compensation calculation by pay grade, longevity step, and family size, (2) USDA's food stamp eligibility regulations, and (3) data on food stamps redeemed at military commissaries. Our estimates of military participation in the food stamp program could vary, depending on the assumptions used.

We discussed our estimates with DOD and USDA Food and Nutrition Service headquarters officials. As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution until 7 days from the date of this report. At that time we will send copies of this report to DOD, USDA, and other interested parties and make copies available to others upon request.

Sincerely yours,



H. L. Krieger
Director

Enclosure

EVALUATION OF MILITARY PARTICIPATION
IN THE FOOD STAMP PROGRAM

The food stamp program has been authorized since 1964 to help low-income households obtain nutritionally adequate diets by supplementing their food-buying capacity through the use of food coupons--commonly referred to as food stamps. In fiscal year 1974, the first year the program was in effect Nation-wide, an average of 12.7 million individuals participated each month. The cost during that year was \$2.7 billion. The program has increased since then to a monthly average of 21 million participants at a cost of \$8.7 billion.

The program is administered nationally by the U.S. Department of Agriculture (USDA) Food and Nutrition Service and locally by State, county, and city public welfare agencies. As established by law, eligibility requirements for participation in the food stamp program are based on household income eligibility standards (income after taxes and allowable expenses), family size, asset levels, and work registration requirements. All persons, military and civilian, living in the 48 contiguous States and the District of Columbia, Guam, Puerto Rico, and the Virgin Islands are subject to the same eligibility criteria. Persons living in Alaska and Hawaii are subject to somewhat higher eligibility standards. People living outside these areas cannot receive food stamps.

USDA's income eligibility standards are taken from the Office of Management and Budget's (OMB's) nonfarm poverty guidelines and are adjusted annually. Any household whose monthly net income is lower than the eligibility standards is potentially eligible for food stamps. The current standards for July 1, 1980, to June 30, 1981, are:

<u>Household size</u>	<u>Net monthly income eligibility standards</u>
1	\$ 316
2	418
3	520
4	621
5	723
6	825
7	926
8	1,028
Each additional member	+102

Eligibility, as defined in the Food Stamp Act, is determined by taking all cash income and deducting (1) a standard monthly deduction--currently \$75, 1/ (2) 20 percent of any earned income, (3) work-related expenses for care of a dependent and/or excessively high shelter costs--currently \$90, 1/ and (4) monthly medical expenses exceeding \$35 if incurred by an aged or disabled household member.

Nonworking and physically capable adult members of food stamp households must register for and accept suitable employment. An individual's household personal assets cannot exceed \$1,500 (excluding certain assets, such as a home and part value of each automobile) unless there is an elderly family member, in which case the limit is higher.

METHODS USED TO DETERMINE
MILITARY PERSONNEL ELIGIBLE
FOR AND RECEIVING FOOD STAMPS

Recently, there have been several estimates of the number of military personnel eligible to receive food stamps. The most frequently quoted estimates range from 100,000 to 275,000. One of the reasons for the wide range of estimates is that it is difficult to determine the actual number of military personnel receiving food stamps since USDA does not require welfare agencies to categorize food stamp participants by occupation. Although such information is available in the participant's individual case file located at the local county and city welfare offices, it would require a manual review of each and every case folder to obtain the actual number of military personnel receiving food stamps.

Accurate information is not available for other factors which would affect military participation in the food stamp program. These include income from working spouses of military personnel and income from participants who hold second jobs. Furthermore, while military personnel may be eligible to receive food stamps, they may choose not to apply for assistance.

The American Enterprise Institute for Public Policy Research published a 1980 study of military compensation entitled "People, Not Hardware--The Highest Defense Priority." The study stated that, in 1973, military compensation was

1/Effective January 1, 1981, the standard and shelter deductions will be \$85 and \$115, respectively.

"adequate to provide a decent standard of living", but that current military pay was no longer adequate, and "at least 100,000 and possibly as many as 275,000 military families may be eligible for public welfare assistance."

According to an official from the Institute, its estimate was based on the number of military personnel whose basic pay was at or below the minimum wage. This approach does not take into account that welfare programs, including the food stamp program, use all cash income received by a household to compute the household's eligibility. Cash income received by a military household would include basic pay, basic allowance for subsistence (BAS), basic allowance for quarters (BAQ), bonuses, special and incentive pay, etc. Furthermore, military personnel receiving only basic pay are usually single, enlisted E-1s and E-2s who receive quarters and subsistence in-kind because they are living in military barracks and do not need food stamps.

As part of the 1976 Quadrennial Review of Military Compensation, DOD estimated that between 11,000 to 38,000 military members could be using food stamps. DOD's Office of Manpower Reserve Affairs and Logistics recently updated its estimate and found that, in fiscal year 1980, approximately 24,000 military personnel were potentially eligible to receive food stamps. This figure is based on a comparison of fiscal year 1980 military compensation to January 1980 USDA eligibility criteria.

In making its calculations, DOD applied USDA's 20-percent earned income reduction criteria to the sum total of basic pay, BAQ, and BAS. USDA, however, does not consider the quarters and subsistence allowances as earned income and does not deduct 20 percent from these allowances. As a result, DOD's estimate of the number of military personnel potentially eligible for food stamps in fiscal year 1980 is overstated.

On the other hand, DOD's analysis also assumed that all military personnel received a cash BAQ amount. However, since USDA does not assign a cash value to quarters-in-kind, personnel living in military quarters would not report BAQ as part of their income. This would cause DOD's estimate to be somewhat understated.

OUR ESTIMATES

We used two methods to estimate military eligibility for food stamps--military compensation compared to USDA eligibility criteria and food stamps redeemed at military commissaries.

Military salaries compared
to USDA eligibility criteria

The most feasible approach to estimate military eligibility in the food stamp program is to compare military salaries with USDA eligibility criteria. We used the same method as DOD (except for the 20-percent reduction of all cash elements of military pay and assigning a cash value to quarters-in-kind) to estimate food stamp eligibility for fiscal year 1981. To estimate eligibility for the years before 1981, we deflated the current USDA criteria by the consumer price index (CPI) and compared that to the military pay scale in effect for each year.

In comparing USDA eligibility criteria with military salaries, we used the following assumptions:

- The current USDA criteria was in effect throughout the program and was devalued by the CPI to maintain consistency throughout the years. (Before 1975, each State developed its own criteria.)
- Gross military compensation (basic pay, BAS, and BAQ) is the only cash pay received in the household. We were unable to determine the amount of spouses' income, income from second jobs, or amounts of special pays and bonuses, even though USDA considers all cash income for eligibility.
- The 20-percent earned income deduction was used to reduce the earned income as allowed by law. The 20 percent applies to basic pay--the only cash element of military salary considered by USDA as "earned income."
- The standard deduction (\$75 for 1980) was used to reduce the gross income as allowed by law. The \$75 is devalued by the CPI and rounded to the next high \$5 for each year before 1980.
- The asset test was not used because we could not determine what assets are owned by each military household.
- The \$90 child care/excess housing deduction was not used since we excluded spouses' income (with the assumption that spouses are not working).

- The OMB nonfarm salary levels used to determine eligibility were devalued each year before 1980 by the CPI.
- Single members at the E-1 grade level were excluded since these members would normally be receiving in-kind housing and subsistence and should have no need for food stamps.
- Military personnel stationed overseas are not eligible to receive food stamps. We deducted the applicable overseas percentage for each year and assumed that members either took their families with them or were not eligible for food stamps.

Using the above assumptions, we calculated the net monthly income for each grade level and longevity step. We then compared the net income level to the deflated income eligibility standards. By using DOD's information on family size and grade level, we were able to determine the number of personnel eligible in each grade.

Enlisted Military Personnel
Potentially Eligible For Food Stamps

<u>Fiscal</u> <u>year (note a)</u>	<u>Number</u> <u>eligible</u>	<u>Percent of</u> <u>enlisted force</u>
1964	197,767	8.60
1968	141,616	4.70
1970	95,388	3.70
1971	79,005	3.60
1972	18,229	0.89
1973	7,359	0.38
1974	4,578	0.24
1975	3,933	0.21
1976	13,587	0.75
1977	33,519	1.90
1978	28,704	1.60
1979	33,158	1.90
1980	19,772	1.10
1981	21,125	1.20

a/Figures shown are as of October 1 of each year. The figures would change during the year, depending on military pay increases and changes in eligibility criteria.

To compute the fiscal year 1980 estimate, we used the October 1979 military force profile and pay rates and the

July 1980 USDA eligibility criteria deflated by the average 1979 CPI. For fiscal year 1981, we used the October 1980 force profile and pay rates and the July 1980 USDA eligibility criteria. As the table shows, there is an increase of 1,300 members from 1980 to 1981. Even with the 11.7-percent 1981 pay increase to military compensation, the number of military members potentially eligible for food stamps increased because USDA's net monthly income eligibility standards increased in July 1980, and the number of E-4 and E-5 personnel with a family size of three to six increased from 1980 to 1981.

We realize that our estimates could have increased or decreased had we changed some of our assumptions. For example, the estimates could have been larger if we had deducted the \$90 excess housing/child care expense. On the other hand, the estimates could have been considerably less had all household cash income--such as special and bonus pay, the recently approved variable housing allowance, income from spouse employment, and/or income from second jobs--been included in the calculation for eligibility.

Food stamps redeemed
at military commissaries

It is difficult to identify the number of active duty personnel redeeming food stamps at commissaries since reservists on active duty, retired members, disabled veterans, and widows also can redeem food stamps at commissaries. Furthermore, commissary redemptions do not account for food stamps redeemed by commissary patrons at other food stores.

Although the food stamps redeemed at military commissaries cannot account for the precise numbers of patrons that use food stamps, they can indicate trends of military usage of food stamps. According to USDA statistics, food stamps redeemed at military commissaries for the past 6 years are as follows:

<u>Year</u> <u>(note a)</u>	<u>Amount</u> <u>(in millions)</u>
1975	\$14.0
1976	14.0
1977	12.5
1978	12.1
1979	12.2
1980	22.7

a/The commissaries food stamp redemption data for 1975-78 is on a calendar year basis, and on a fiscal year basis for 1979-80.

We discussed with USDA and DOD officials the reasons for the large increase of food stamps redeemed between 1979 and 1980. These officials suggested that it may have resulted from a combination of increased outreach programs by the services to provide information and assistance to potential eligible households and the present economic conditions of the Nation.

To estimate the number of military households redeeming food stamps at commissaries in 1979 and 1980, we divided the total food stamp receipts redeemed in these years by USDA's average monthly usage per household of \$75. This analysis shows that approximately 13,600 and 25,200 military households redeemed food stamps at commissaries in 1979 and 1980, respectively.