

THE EFFECT OF FOOD STAMP CUTBACKS ON OLDER AMERICANS

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BEFORE THE
SPECIAL COMMITTEE ON AGING
UNITED STATES SENATE
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WEDNESDAY, APRIL 11, 1979

U.S. SENATOR,
SPECIAL COMMITTEE ON AGING,
Washington, D.C.

The committee met, pursuant to notice, at 10:10 a.m., in room 5110, Dirksen Senate Office Building, Hon. Lawton Chiles, chairman, presiding.

Present: Senators Chiles, Melcher, Pryor, Burdick, Percy, and Heinz.

Also present: E. Bentley Lipscomb, staff director; Deborah K. Kilmer and Kathleen M. Deignan, professional staff members; David A. Rust, minority staff director; Tony Arroyos and Jeffrey R. Lewis, minority professional staff members; Theresa M. Forster, assistant chief clerk; and Alice E. Hamlin, resource assistant.

OPENING STATEMENT BY SENATOR LAWTON CHILES, CHAIRMAN

Senator CHILES. Good morning. Today, the Senate Committee on Aging will look at the food stamp program and how recently implemented provisions are affecting elderly participants.

In the 1977 farm bill, the Congress significantly changed the food stamp program by doing away with the purchase requirement and replacing the numerous itemized deductions with four deductions—a standard deduction indexed in accordance with the consumer price index, a shelter deduction, a dependent care deduction, and an earned income deduction.

Only recently were several of these new provisions implemented. As chairman of the Senate Committee on Aging, I have heard from elderly throughout the country who have received notices of cutbacks or ineligibility for food stamps. Such notices have caused considerable alarm to these older people who rely on their food stamps to purchase groceries and for payment of meals in restaurants, senior centers, and for home-delivered meals.

There are several reasons for these cutbacks and I will briefly describe the two which are the main focus of today's hearing.

On March 1, the new shelter deduction provision went into effect. This deduction allows the recipient to deduct the costs of shelter and utilities which are in excess of 50 percent of their net income but not more than \$80. This formula is more restrictive than the one under the former program and results in cutbacks for households with high rent and utility expenses. One- and two-

person households are hit particularly hard by this provision and these households are frequently elderly homes.

A second major reason why elderly are receiving notice of cut-backs is because there is no longer a medical deduction which existed under the former program. Participants are expected to include such expenses under the standard deduction, which is currently \$65. However, it is common knowledge that elderly have far greater medical expenses than most other age groups. Medicare and medicaid often help to alleviate this burden, but there are numerous health services which are not reimbursable under either program and must be paid out-of-pocket by the patient. Therefore, those elderly faced with high medical bills are receiving a double blow when faced with extreme medical expenses and a reduction in food stamps because there is no longer a deduction for their medical costs above \$65.

The congressional intent in the farm bill of 1977 was to focus the food stamp program on the most needy. This has been accomplished to a certain extent. The elimination of the purchase requirement allows the poorest of the poor to participate in the program without having to "buy their way into the program." In addition, eligibility has been limited to the poverty line, thus cutting off the top of the maximum eligibility level.

But it is my belief that we did not intend to reduce so significantly the benefits to the low income, especially the elderly. Therefore, we will explore with today's witnesses the current situations and several of the legislative proposals which would help to remedy these situations. We cannot expect our elderly to make up differences lost in benefits and services. Many of them are living on limited incomes from social security and/or supplemental security income and are continually faced with inflationary increases in their utility bills, medical expenses, and food costs. Anything we can do to ease their burden by allowing them to receive a more adequate food stamp allotment will help to maintain their independence and allow them to live in their own homes where they want to be.

We are delighted to have as our first witness the junior Senator from Florida, Senator Stone, who has long been an advocate and a champion of the causes of the elderly and of the needy.

Senator, I understand that you have introduced a bill dealing with this problem. We are delighted to hear from you today and to have you discuss your bill.

STATEMENT BY SENATOR RICHARD STONE

Senator STONE. Thank you very much, Mr. Chairman, and thanks to you particularly for scheduling a hearing this timely and this important.

Mr. Chairman, I have here one of more than 500 letters received from the elderly in our State, Florida, and I am sure it is tracked by similar experiences of people all over this country. I would like to read you this letter, short as it is:

Food stamp cut hurts. The new food stamp regulation cutting our food stamps from \$97 allotments to \$19 makes it almost impossible to live and to survive. We will have many elderly people throughout the Miami area try suicide. We have to have some change in our regulations to make it feasible for good, honest citizens

that supported the United States for a lifetime to get a little support for ourselves. We are hoping the changes will be very soon.

Mr. Chairman, we checked after we got this letter and found that the signer, Mrs. M. Vanderstein, is ill and her husband is ill. In order to get medicine for her husband and still enough to eat, she foregoes the purchase of medicine that she needs for herself. Her cut was from \$97 food stamp allotments to \$19. As I say, we have gotten more than 500 such letters and we checked and found that they are true.

I think that the Agriculture Committee and the Congress last year did respond to the needs of the budget and to the intent of the Congress in eliminating the upper income folks from the scale of those receiving food stamps in return for eliminating cash purchase requirements. Basically, that was the tradeoff. We did that, but the impact of the food inflation and the shelter inflation on the elderly with fixed incomes makes it impossible for many of them to make it.

The bill that I introduced on Monday and which will be heard before the Agriculture Committee, the committee that has the particular legislative jurisdiction, soon by Senator McGovern as chairman of the Nutrition Subcommittee, will lift the cap on the shelter allowance and will allow as an excess deduction these medical costs of the elderly and ill, the people most impacted by this change in circumstances.

The funding level for the food stamp program with all the severe restrictions that we imposed last year as a Congress, is \$6.9 billion this coming year. At least, that is the request the Agriculture Committee made to the Budget Committee. The cost of this particular bill to take care of the elderly on fixed incomes who are ill is between \$20 and \$40 million and that would be enough to allow a woman like Mrs. Vanderstein and those similarly situated to both buy the medicine and buy the necessary food to live.

So I certainly commend that bill which would apply to elderly households, people who are 60 years old and older, the excess medical care deduction for that portion of the actual cost of medical expenses that are in excess of the standard deduction.

I would ask that my prepared statement appear in your record.

Senator CHILES. Your statement, in full, will be inserted in the record.¹

We appreciate your testimony and the description of your bill. The committee would like to look at all of the particular areas in the bill and see what we think would be the best way to try to approach this problem. I think that your statement is very true. I think all of us have heard from our citizens who are very upset that some people are getting food stamps who don't need them. I think the Congress responded to that when we narrowed the eligibility limits. But, at the same time, I think Congress was trying to give more benefits to those people who could not take care of themselves. We know it is not a question of our elderly malingering, it is not a question of them being unable or refusing to work. We prohibit them by our social security laws from earning more than certain incomes. We want to make sure that we don't treat them in an unfair way, and it appears that right now that is what

¹ See page 5.

the legislation does. I think we need to address that and we certainly need to correct that. Your bill would certainly go in that direction and we compliment you very much for that.

Are there other questions?

Senator MELCHER. Mr. Chairman.

Senator CHILES. Senator Melcher.

STATEMENT BY SENATOR JOHN MELCHER

Senator MELCHER. Senator Stone, here is another member of the Senate Agriculture Committee who expressly supports providing for this need. I am in favor of this and would consider it an honor to cosponsor this along with you.

Senator STONE. I would appreciate that very much.

Senator MELCHER. There is another program that the Department of Agriculture handles for the country regarding the distribution of food, and that is the commodity program. I am preparing a bill that will direct the Department of Agriculture to use the commodity program for its senior citizen centers to provide commodities that are available and appropriate in a fresh, frozen, or canned form for the elderly.

I have long been an advocate of this program and sometimes, in the course of events here in Congress, we found that the commodity program was shoved clear back off in the corner with all the slack to be taken up by the food stamp program. While there are advantages to both programs, in certain respects they do not compete with each other, they complement each other.

I would hope at the same time that we are having the hearing on your bill and other bills, with regard to amendments to the Food Stamp Act that would help the operator, we can also address this problem of using commodities much more advantageously for the elderly. I know it worked in my State, and I would hope that it would work in your State, as well as other States throughout the country.

Senator STONE. That is certainly a fine point and I will be happy to look into your bill as a supplement to the food stamp program.

Senator MELCHER. Thank you, Senator Stone. Thank you, Mr. Chairman.

Senator CHILES. Senator Burdick.

Senator BURDICK. Senator Stone, I want to commend you for a fine statement.

In looking at our budget situation this year, I want to tell you that I think this is one of the priority items. In this area, the \$1 million you are talking about is most deserving.

Senator STONE. Thank you, Senator Burdick. I think it is appropriate to get the combination here. We are talking about taking people who are on fixed incomes, who are elderly, and who are ill, and that confluence does not cost anywhere near in the same order of impact as so many other elements of the food stamp bill. We are talking about a \$6.9 billion program, and to take care of this urgent need, maybe \$20 to \$30 million.

Senator CHILES. Senator Burdick, I think you raise a very good point talking of the restricted times we find ourselves in in spending. The Budget Committee has just finished its markup of the first concurrent resolution which we will be taking to the floor after we

return from our recess. I am happy to report that it looks like, under this mark, we could achieve a balanced budget in the year 1981. But, I want to point out in achieving that budget, in wearing my budget hat which I have been doing for the last 2 or 3 days, I made sure that we had a mark in that bill in the area that we are talking about for food stamps for approximately up to \$50 to \$60 million to take care of this problem. This should cover most of the legislation we are talking about, as Senator Stone has said his bill is \$20 to \$30 million, somewhere in that neighborhood.

In that range of \$50 to \$60 million we should be able to address this problem. I made sure, and other members of the committee did, that there is a mark of approximately that amount recognizing that what we are really talking about in the budget is priorities. It should be a priority to try to take care and help those people who are not in the position to be able to help themselves right now. It is also a good fiscal sense because if you can keep these people in their homes by virtue of the fact that they can have meals, they can go to senior centers or have meals-on-wheels and other programs, then they can stay out of the nursing home, out of the hospital, and therefore cost the Government much less money.

Senator MELCHER. Would the Senator yield?

Senator CHILES. Yes.

Senator MELCHER. Good solid nutrition for the elderly will not cost money, it will save money in terms of medicare and medicaid.

Senator CHILES. You are exactly right.

Senator Pryor, do you have any questions?

Senator PRYOR. I have no questions at this time.

Senator CHILES. Senator Stone, we thank you.

Senator STONE. Thank you.

[The prepared statement of Senator Stone follows:]

PREPARED STATEMENT OF SENATOR RICHARD STONE

Thank you, Mr. Chairman. I appreciate this opportunity to appear before the Special Committee on the Aging today, in order to discuss a matter of great concern to me.

It is now evident that elderly households with high medical or high shelter costs are being seriously harmed by the changes in the food stamp program which have been brought about by the 1977 act.

For that reason, last Monday, I introduced S. 928, a bill to amend the Food Stamp Act of 1977 to eliminate certain restrictions on excess shelter expense deductions with respect to households that are comprised exclusively of members who are 60 years of age or over, or who are recipients of benefits under title XVI of the Social Security Act, and to allow a deduction for certain medical expenses in the computation of the income for these families.

It is my hope that some financial relief be given to elderly and disabled households that have been adversely affected by recent implementation of this new statute.

My bill, along with all of the other bills to amend the present food stamp statute, has been referred to the Senate Agriculture, Nutrition, and Forestry Committee for consideration. As a member of the Agriculture Committee, I intend to do everything possible to assure that appropriate legislation is reported by the committee to solve this problem.

Let me briefly describe my bill. This bill will allow an elderly household (age 60 and over) an excess medical care deduction for that portion of the actual cost of medical expenses in excess of the standard deduction.

It is my intention that the inclusions for medical expenses under the old system—i.e., the cost of an attendant or housekeeper who is necessary for medical care reasons, would be continued under this amendment.

Under the old system, actual shelter costs in excess of 30 percent of the household income calculated after all other allowable deductions have been made was deductible. Under the Food Stamp Act of 1977, the percentage was raised to 50 percent and a cap was placed on the maximum allowable deduction. This proposal will remove the cap on the shelter deduction.

As you are well aware, Mr. Chairman, 54 percent of the food stamp recipients in the State of Florida have been adversely affected by the recent changes in the food stamp law. I would like to point out that this problem is not just a Florida problem—it is a national problem. In some cases, medical expenses account for a greater share of a household's disposable income than does shelter costs. In either case, the household simply does not have money to buy food.

This bill would aid only the elderly and disabled households who are suffering serious consequences as a result of the 1977 act. It is not and should not be viewed as a wholesale elimination of the significant reforms contained in the new food stamp law. I strongly believe in an efficiently run food stamp program that excludes the non-needy from participation. However, I believe that we would be remiss in closing our eyes to the enormous percentage of disposable income that some elderly and disabled recipients must spend on housing and medical expenses.

I am aware of the fact that many of the participants who would be affected by the bill will not be restored entirely to the position they were in before enactment of the 1977 act. However, this is a step in the right direction and, I believe, a very necessary proposal to remedy the present situation.

Mr. Chairman, this is a very serious situation facing the needy elderly and disabled in our Nation. I am most hopeful that we in Congress can take positive action in this regard.

Senator CHILES. The ranking minority member of our committee, Senator Pete V. Domenici, and Senator William S. Cohen, are unable to be with us today. They have submitted statements for the record, and without objection, they will be entered at this time. [The statements of Senators Domenici and Cohen follow:]

STATEMENT OF SENATOR PETE V. DOMENICI

Mr. Chairman, I am pleased to join you in today's hearing which is designed to focus attention on the impact recent changes in the Federal food stamp program are having on Older Americans. When the 95th Congress enacted sweeping reforms in the food stamp program, the goal was to better target these benefits to those with the greatest need. The reforms were also designed to improve the administration of the program and to bring under control its spiraling costs. Most of us expected these reforms to expand elderly participation in the food stamp program.

Now, 18 months later, as the program is being implemented, we find unexpected and unintended consequences of our reforms. Not all the provisions of the new law have taken effect nationwide. Thus, it may not be possible for us to fully determine the nature and extent of the problems that are just now beginning to surface.

This hearing can go a long way in helping us better gauge the magnitude of this situation and begin to identify corrective steps we—as a Congress—can take.

Mr. Chairman, I commend you for convening this hearing. It addresses a key issue confronting older Americans and I think we are carrying out an important part of our mandate by addressing this problem in such a timely fashion.

STATEMENT OF SENATOR WILLIAM S. COHEN

Mr. Chairman, I welcome the opportunity to participate in the year's first hearing of the Senate Special Committee on Aging.

The issue before us is of critical importance to the elderly poor in my State. The elderly caseload in Maine is approximately 20 percent of total program participants—three times the national average.

Official notification of adjustments in food stamp allotments based on the new requirements of the law were sent to recipients at the first of this month. The reaction in the State has been one of confusion and emotional upheaval—this despite the efforts of the State to educate the beneficiaries about the forthcoming changes. My offices receive numerous calls from individuals in tears pleading that they do not know where to turn for help when the new allotments become effective next month.

Older Americans spend proportionately more of their income on food, housing, and health care than other low-income groups. Persons living on fixed incomes are hit hard by price inflation, and the elderly command little potential for personal improvement of income. The average income for the elderly household is lower than for other households of persons in the program. Most households with elderly persons have no assets, and most have no income outside of social security and supplemental security income.

While few, if any, elderly recipients in my State will be dropped from the program, officials estimate that 70 percent of the elderly beneficiaries will have their allotments reduced between 7 and 9 percent under the new guidelines. These people often have no residual income to buy more food when their stamps run out.

Of the requirements of the law, two have been particularly damaging to the elderly poor in my State. The first is the automatic 30 percent reduction in net food stamp income. Under the old law, most of Maine's elderly were paying about 9 percent less for their coupon allotments than they are under the new law.

The second is the act's excess shelter cost cap. Perhaps the level at which we set the cap in 1977 was adequate for conditions as they existed then, but spiraling energy costs in my State have devastated any sense of reasonableness about the limitation. For example, a beneficiary in my State wrote that she refuses to use the lights in her home, relying instead on outside street lighting, in order to keep her electric bill at a minimum.

The office of energy resources in my State estimates that total energy costs per household have increased 21.7 percent since the food stamp act was renewed. Predictions for future increases are even more discouraging. On the other hand, the shelter cap has been increased only 6.6 percent.

The Federal Register of February 7, 1979, rated Maine 49th of the 50 States—only above Mississippi—in terms of median family income with no adjustments for living costs, based on 1977 figures. Yet, we know that heating costs in the Northeast are approximately 51 percent higher than in the South. When you take into account this and other regional disparities, I suspect Maine would be in a close race for last place. I do not find these figures pleasing, but have pointed them out in an attempt to outline the effect of the new food stamp requirements on my State.

The food stamp program is an important support to many of my constituents faced with these economic realities. When its benefits are diminished, the hardship is only made greater.

I, for one, do not believe that Congress intended the disruption which has occurred with implementation of the new requirements that were instituted when the food stamp program was extended.

I look forward to hearing from the witnesses assembled today in order to learn of the experiences of other States. My hope is that we can take these comments and work quickly with the administration so that the elderly poor will not be forced to choose among shelter, heat, and food.

Senator CHILES. Here from the U.S. Department of Agriculture to testify for the Department is Carol Tucker Foreman, Assistant Secretary for Food and Consumer Services; she is accompanied by Robert Greenstein, Acting Administrator, Food and Nutrition Service, U.S. Department of Agriculture.

STATEMENT OF HON. CAROL TUCKER FOREMAN, ASSISTANT SECRETARY FOR FOOD AND CONSUMER SERVICES, U.S. DEPARTMENT OF AGRICULTURE; ACCOMPANIED BY ROBERT GREENSTEIN, ACTING ADMINISTRATOR, FOOD AND NUTRITION SERVICE, AND KATHRYN P. BISHOP, OFFICE OF POLICY, PLANNING, AND EVALUATION, FOOD AND NUTRITION SERVICE, U.S. DEPARTMENT OF AGRICULTURE

Mrs. FOREMAN. Good morning, sir.

Senator CHILES. Good morning. We are delighted to have you before the committee.

Mrs. FOREMAN. We have, in addition, Kathy Bishop from our Policy Planning staff in the Food and Nutrition Service.

Before I begin, since you raised the subject of the Budget Committee, I will thank you very much for your support there last

week. You are very much aware of some of the problems that we do have because of food price inflation and increasing participation in the food stamp program with the ceiling that Congress put on the bill. I talked to the Budget Committee and I thought they did an extraordinarily fine job of going through those budget proposals and making accommodations so that large numbers of people won't be cut off the food stamp program.

We will be submitting to the Agriculture Committee very shortly legislation that will attempt to make some savings in the program so that we can accommodate some of the costs that are being added. We appreciate the opportunity to come before you today and present our views on the proposed legislation having to do with the Food Stamp Act of 1977. I will summarize parts of my statement, if you will permit.

Senator CHILES. Your prepared statement,¹ in full, will be included in the record and if you wish to summarize it, that might be helpful to us.

Mrs. FOREMAN. Thank you.

We understand that the purpose of the bill is to alleviate hardships that have been caused to the elderly and to disabled persons as the result of implementation of the Food Stamp Act of 1977. However, our data indicates that by and large the elderly have been generally assisted by the new legislation. In the past, the Department has been extraordinarily concerned about the fact that so few of the elderly participated in the food stamp program. Somewhere between 40 and 50 percent of the elderly eligible to participate in the program actually participated. In order to remedy that problem, we proposed, and Congress enacted, several provisions of the Food Stamp Act of 1977 in an attempt to raise participation among the elderly.

First and most importantly among those provisions is elimination of the purchase requirement. The purchase requirement was consistently and widely criticized as the single largest barrier to participation in the food stamp program. All of our studies over an extended period of time showed that the single largest factor that prevented eligible people from coming into the program was the necessity of having to come up with the purchase requirement and their inability to do so. Now families are no longer required to come up with the cash payment, instead they received their coupon allotments less 30 percent of their net income.

Senator CHILES. I understand that in the figures that USDA did issue about a week ago you stated that it appeared that the changes in the bill and other factors had increased the participation by about 1.7 million people.

Mrs. FOREMAN. Yes, sir.

Senator CHILES. In addition, USDA reported that the anecdotal report suggests a significant number of elderly poor may now be entering the program.

Mrs. FOREMAN. That is correct.

Senator CHILES. Do you have anything to show how many elderly? Our staff has reports from New York City and Dade County food stamp offices, which are two of the largest in the country, and

¹ See p. 22.

they show little or no increase in the proportion of elderly participants. So, where are the elderly coming from?

Mrs. FOREMAN. Well, sir, we have some figures that we have just gotten out of the computer this morning that I would like to go into in a moment that do show that some elderly are not being affected in the manner that we first might have indicated, but we anticipated that some elderly would lose benefits, there is no question about that. On the other hand, the very low income elderly are coming into the program.

Mr. GREENSTEIN. Senator, in terms of New York City, the evidence we have so far indicates there is not much of an increase in participation in urban areas, elderly or otherwise. The biggest increases are coming in rural areas. Because both Dade County and New York are urban areas, we are not seeing that big an increase in any group. We don't have data yet. We will not start having some statistical data on the new people for perhaps another 6 weeks, but a number of States have reported to us. The one I recall in particular is the State of Minnesota where there is a major increase in participation. I believe in a couple of the Southwest States there are substantial numbers of elderly coming in. At this point, the story is anecdotal and not statistical.

Senator CHILES. Have you also supported any outreach efforts prior to January 1 to inform the public, and especially the elderly, about the new program and the fact that no longer is there a cash requirement necessary?

Mr. GREENSTEIN. Yes, sir. We have specifically what we call the transition outreach program that the States had to comply with during this period which, in addition to press releases and so forth, included a toll-free hotline in all States so people could call and get information. The Department of Agriculture entered into agreement with the Social Security Administration whereby, I believe in the month of February, every SSI participant in the country, along with the mailing of the SSI checks, was sent a mailing informing them of the changes in the food stamp program and the elimination of the food stamp purchase requirement.

Mrs. FOREMAN. There seems to be some concern with the standard deductions, a difficult problem for the elderly. In fact, we believe that the standard deduction benefits the elderly. Congress approved a \$60 a month figure which is adjusted semiannually each January and July to the nearest \$5 according to the changes in the consumer price index for items other than food. As a result of this, the standard deduction rose to \$65 a month in July 1978. That deduction is applied to all households regardless of size. In addition, elderly households may also qualify for the excess shelter deduction of up to \$80 a month.

Once again, a deduction is not adjusted according to family size and yet elderly households tend to be smaller than other households. The popularly held notion, as I pointed out, is that that standard deduction hurts the elderly, but contrary to that notion, elderly households tended to have fewer deductions than other households under the old act, and the deductions taken were smaller than those of other households.

According to our latest survey, the average total deduction claimed by all households claiming deductions was \$95, but for

households containing elderly persons, those aged 65 or over, the average total deduction for those claiming a deduction was \$62, approximately two-thirds of the amount claimed for all households. Eighty-four percent of all households claimed a deduction compared to 74 percent of the households containing an elderly person.

A similar pattern was demonstrated for excess shelter costs and medical expenses, which were also deductible under the 1964 act. The majority of households claimed a deduction for excess shelter costs—74 percent of all households and 60 percent of elderly households. The average amount claimed by elderly households was \$49, considerably smaller than that claimed by all households which was \$73 for the cost of shelter. Even though the medical deductions were claimed by a larger percentage of elderly households, 34 percent, as opposed to all households, which was only 16 percent, the average amount claimed for medical deduction was smaller for elderly households, running around \$38 a month, than that claimed by all households, which was \$42 a month.

Because the elderly tend to live in smaller sized households than other participants, their deductions per person may be larger than those for other households. However, the standard deduction, which is the same for all family sizes, once again compensates for this difference. There is no question that some elderly participants who may incur extremely high medical costs would have costs that were larger deductible costs under the old program and will lose benefits as a result of the new standard deduction, but the adverse impacts on benefits to elderly people should be small. In addition, some elderly persons are receiving increased benefits as a result of the standard deduction.

Further, the Department and Congress recognize that some participants will lose benefits as a result of the uniform benefit reduction rate of 30 percent. Under the old program, actual purchase requirements as a percentage of net income varied from 5 percent in one person households with low monthly income to 30 percent for larger households approaching the net income eligibility cutoff. Overall, the average purchase requirement was about 25.4 percent of net income.

Senator CHILES. I understand that with the purchase requirement under the former law, the elderly used to pay approximately 20 to 22 percent of their income for stamps. Has the new benefit reduction rate of 30 percent affected their benefit level?

Mr. GREENSTEIN. I think the issue here is you have two things that offset each other. The average deduction that most elderly get under the new program is significantly higher than the average they got under the old program. By contrast, the benefit reduction rate of 30 percent is higher than the 20- to 22-percent average under the old program.

When you put the two together, the impact, which I think the Assistant Secretary's testimony is about to get to, is that most elderly either gain slightly or lose a little. There is a fairly small percentage that lose a large amount but we need to look at the change in deductions and the change in the benefit reduction rate together. You end up between them getting the benefit figure.

Senator CHILES. I think the other thing that we need to be cognizant of is that we cannot afford to deal just in averages even

though the average person is better off. I think that is true, and that is what we hope the law would do. It looks like the people who are being hurt are those with the chronic medical problems who are going to incur high bills. We tend to look at most illnesses as acute illness—it will be high this month but then it goes away. It does not work that way with the elderly. If it is high blood pressure, or hypertension, that is going to be there this month and it is going to be there next month. It normally is a progressive thing, and if anything, gets a little worse.

So we are talking about those people who can least afford it, the ones that are being hurt the most, and also those that run into the very high shelter cost also seem to be hurt. So I think that we don't want to lose cognizance of the fact that while we are dealing with these averages, that the average is better off than the mail that we are receiving. We are penalizing a group of people and penalizing them very severely.

Mr. GREENSTEIN. One other point which I think the charts just don't show, and will be discussed in the testimony, is that those elderly and other persons who are losing benefits tend to be those persons with gross incomes over the poverty line and those with the lower incomes are not there.

Mrs. FOREMAN. Yes, sir. I think that Mr. Greenstein already explained the difference between the tradeoff in the standard deduction and the benefit reduction rate, so let me go on at this point to some material that is not in our prepared text and that does illustrate the point that he just made.

Of all those households that are composed entirely of persons 65 years and over or SSI recipients, only 2.3 percent were eliminated by the new law. By contrast, almost 7 percent, 6.9 percent, of all the other households who were previously eligible for the food stamp program were terminated.

Second, only 13.6 percent of the elderly and SSI households lost more than \$5 a month in benefits and yet for all households across the board, 20.2 percent of the nonelderly and non-SSI households lost more than \$5 a month in benefits. Of the 13.6 percent of the elderly who will lose, 11.8 percent, will lose \$6 to \$20 a month. A much smaller fraction, 1.8 percent, lose more than \$20.

Senator CHILES. I didn't get the figure of how that compared with the nonelderly or to the total group. What was that?

Mrs. FOREMAN. Twenty and two-tenths percent of the nonelderly households lost more than \$5 a month in benefits.

Once again, as Mr. Greenstein pointed out, the elderly persons who are losing the benefits obviously are not wealthy people and we understand and accept that there are individual difficulties being raised here. It is very hard for me to suggest that anyone who is eligible for food stamps is not hurt by the loss of any benefit. I understand that that is the problem, but those who are losing the benefits are among the highest income people eligible for the program. Admittedly, they are poor but they are among the highest presently eligible.

Of all the elderly and SSI households below 50 percent of the poverty line, only 0.2 percent lose more than \$5 a month and 47 percent gain more than \$5 a month. Just 8.6 percent of those elderly and SSI recipients, between 50 and 100 percent of poverty,

lose more than \$5 a month. However, 27.3 percent of the elderly and SSI households, between 100 percent and 150 percent of poverty, lose benefits.

Once again, the point is that the entire Food Stamp Act of 1977 reduced benefits to those people who are in the highest income groups presently eligible for the program, while attempting as a tradeoff to bring in those people who had always been eligible but who had previously been unable to participate because their incomes were so low that they did not have the money to come up with the purchase requirement.

Senator CHILES. Well, the Congressional Budget Office has done a study in which they are showing that 29.3 percent of the elderly households lost by virtue of the new act and 12.1 percent of the households gained. Unless there is some change in those that gained, it must have had to have gained an awful lot, or do you have any figures that correspond with those figures?

Mrs. FOREMAN. Well, the CBO uses a slightly different set of assumptions than we do. They determine who is an elderly household a little differently than we do, but I think that the key element there is that we are not very far apart on the proportion of gainers to losers. That is No. 1.

No. 2, it is important to note that the losers and gainers do not reflect those people who are coming in because of the elimination of the purchase requirement. We do not have that kind of data yet, neither does CBO. So it tends at this point, I think, to show a picture of disproportionate loss compared to what the total picture will show when that is completed.

Senator CHILES. They are showing more than twice as many losers as gainers even though the ones that—

Mrs. FOREMAN. The gainers don't show those who are coming into the program for the first time. The picture is based on those who are already in the program and we know that we are having a substantial increase from elimination of the purchase requirement.

Senator MELCHER. Mr. Chairman.

Senator CHILES. Mr. Greenstein wanted to add something.

Mr. GREENSTEIN. I think there is a somewhat different definition that is going to account for the difference in the numbers. As I understand it, the CBO figures are all households that contain a person 65 years of age or older. In other words, a four-person household that contains one elderly member and three nonelderly would be included in the CBO analysis. Our analysis is limited to those households consisting entirely, I believe, of persons 65 years of age and older and SSI recipients.

I think what this illustrates, the point we were making, is that in general the nonelderly are affected more severely than the elderly. Their computer run includes households that we were classifying as nonelderly because they included an elderly person but also other persons who were not elderly, and they end up having a large percentage of people worse off.

I would also note that they had about twice as many people gaining benefits as we do. We both have the same number of people terminated, but I think the difference, by and large, is we are talking about two different groups. We are talking just about those who are entirely elderly or SSI and they are talking about a

much larger number of households that include both elderly and nonelderly.

Senator MELCHER. Mr. Chairman, I do want to pursue these figures because I am not sure, after listening, that we have taken into account the fact that the elderly were not participating in the program to the extent that they should have been, despite possible eligibility to do so for a number of reasons.

The first and the greatest reason for not participating is pride. That is an individual determination of an individual elderly person, and that is their own choice. But in citing these figures on how many elderly households were not participating or were losing benefits, have you related those figures in any way to those households of those individual elderly that should come into the program? Are we gaining or are we losing?

It seems to me that perhaps we are losing overall because our goal is to attract all of the elderly who are eligible for food stamps into the program and with a feeling of dignity. I cannot sort this out in your figures.

Mr. GREENSTEIN. Senator, since we don't have precise statistical estimates yet on just who are the new people coming into the program, we don't have a precise figure on the number of new elderly coming in or the amount of benefits they are getting. However, we know enough so I don't think there is any question that the total dollars going to elderly and SSI recipients are going up substantially right now.

We added, in the months of December and January, 1.8 million persons to the program. There was a substantial increase again in February. The percentage of elderly SSI being terminated on both the CBO and the other analysis is running around 2 percent. I think even in Florida, which is unusual because the entire caseload was converted in 1 day on March 1 in the computer run—most States don't have the computer capability and are taking 4 months—even in Florida, when we look at the redemption of food stamp coupons in the two points in the State of Florida, the amount of coupons going through in March is still substantially above the number in December and January before these changes took effect. I think that while we agree that individual households certainly are being adversely affected—

Senator CHILES. March is always going to be heavier than anything in December in Florida.

Mr. GREENSTEIN. We understand that, Senator, but the degree of increase is greater. We have a lot of new people coming into the program now.

Senator CHILES. We are in the height of the season.

Mr. GREENSTEIN. I don't think there is any question that the total benefits going to the elderly or the SSI population are up substantially over what they were before. That is not to say that individual households are not subject to real losses but the total picture is up substantially.

Mrs. FOREMAN. Let me just once again repeat, because I think it agrees with the point that you are making, Senator Melcher, that this chart¹ that we have on the comparison of the impact of the program is only the impact on those people who are already in the

¹ See charts at end of prepared statement, pp. 24, 25.

program and does not include those people who are the largest gainers. A whole set of people who gained from the new program are not listed here at all. They are the people who were unable to participate earlier but now are able to participate because they don't have to come up with the purchase requirement. You are right, they were always eligible, but they didn't participate.

One other quick thing there in regard to the 1979 act. Congress approved a demonstration project under which we would pay cash rather than food stamps to those households that consist entirely of members who were 65 years of age or older or who participate in the SSI program, because we do recognize that participation among the elderly has tended to be smaller, in part as a result of the reluctance to go to the store and use food stamps. That demonstration program may tell us that this is something that we want to go ahead with permanently.

Senator MELCHER. If I might, Mr. Chairman, I realize that with the elderly that the question of dignity is most important. It is one of the reasons that I am now advocating the use of commodities to senior citizen centers as a means of further distribution of nutritious food. I have your list of commodities available in fiscal 1979. There are about 40 different items that are available, ranging from apple juice and apple sauce and apples down to turkeys, whole or frozen.

One of the difficulties we have had with the commodity program in the past has been that the commodities are generally in quantities better suited for not just an individual, or even a household of two or three, but rather for school programs and other traditional groups. But with the senior citizen centers available, if they were eligible for commodities to the same extent that, for instance, in the past schools have been eligible and are eligible and Indian tribes have been eligible and are eligible in certain cases, the senior citizen centers could break up these larger quantities of goods.

A family of one does not need a whole frozen turkey. Even a family of two generally does not need a whole frozen turkey. For that reason, I think we can partially overcome this obstacle of pride, retain dignity for the elderly, and make sure that their nutrition is well taken care of by using the commodity program as an add-on to senior citizens' nutrition services.

Mr. GREENSTEIN. Senator, one other item. You talk about pride. It is obviously an issue for the elderly to come to food stamp centers and then come again to get their food stamps each month.

Senator MELCHER. Also in the checkout line.

Mr. GREENSTEIN. The checkout line we cannot deal with.

Senator MELCHER. No.

Mr. GREENSTEIN. But on the other two we are making some progress. Under the old program, because of the purchase requirement, elderly people, as others, had to come once or twice a month to the food stamp distribution point to buy their stamps, but what we are now seeing is that in an increasing number of rural areas—not in the cities but in rural areas—where postal service is secure—their food stamps are being sent through the mail. There was a study about 4 or 5 years ago, done by the Center for Manpower Studies at the University of Mississippi, that found that the

need to travel 20, 30 miles to purchase stamps each month was a major barrier to participation among the elderly rural poor. We believe that one reason we may be seeing such a big increase in rural areas now, more elderly people participating in the rural areas, is that it may be greatly facilitating to be able to get the stamps through the mail.

The second thing is that the Food Stamp Act of 1977 does speak of a joint intake process for SSI participants at the Social Security office. We have had some difficulties in working out the administrative arrangements with the Social Security Administration as to how we can do that, but we believe we have now made the breakthrough and have pretty much reached agreement with them. We are now working on regulations under which SSI recipients would not need to go to the food stamp office and apply, but would be able to apply for food stamps as a part of the same process under which they apply for the SSI program. This would be another major issue, I would think, in terms of the pride that you are talking about.

Senator MELCHER. I am very pleased to hear your comments on that as one of the sponsors of the amendment of the Food Stamp Act in the early seventies to grant that authority to the Department to use the mails.

Senator CHILES. When do you think we are going to work those problems out? We have been working on those problems a long, long time, it seems to me.

Mr. GREENSTEIN. We just received a letter from the Social Security Administration a few days ago in response to the last set of proposals that we offered. We had original proposals that they did not accept, that they thought were too complicated for the Social Security Administration. We have now worked out an agreement on how the system would work, so I would think it would just be a matter of weeks until we could get those regulations out.

Senator CHILES. I appreciate your keeping the committee informed.

Senator Pryor.

Senator PRYOR. I am just curious. I am trying to trace the bureaucracy here. When did you make that proposal to the Social Security Administration?

Mr. GREENSTEIN. Well, this last proposal is a recent one. The most recent proposal we are talking about, I believe we made it some time in March. It was quite different from earlier proposals. The discussions have been going back and forth for quite some time. We basically caved in on some issues, because we were not getting anywhere, and came up with a new proposal that had substantially less workload burden on the Social Security Administration offices than our earlier proposals did, and have now worked out an agreement on that basis. This proposal we just made within the past month or so, I believe.

Senator PRYOR. And you think this proposal is going to be acceptable and workable?

Mr. GREENSTEIN. It has basically been accepted by the Social Security Administration; yes.

Senator PRYOR. I would like to return to the issue of medical expenses. I would just like to ask how we address the crisis experienced by those elderly who have medical expenses that exceed the

standard deduction? I think there are a lot of people who fall into this category. About how many would you say fall into that particular category?

Mr. GREENSTEIN. We could try to get back to you with that. I am a little hesitant to make an estimate. I really don't know about the specific number. I don't have a specific number at this point. We can go back and have our staff work that out and try to supply it.

[Subsequent to the hearing, the following material was supplied:]

Elderly households whose medical expenses exceed the amount of the standard deduction: Percent of elderly households, 3.5; percent of nonelderly households, 2.9.

A small percentage (3.5 percent) of households composed of elderly persons and SSI recipients have medical expenses in excess of the amount allowed in the standard deduction. However, these households are being helped by the provision eliminating the purchase requirement in the Food Stamp Act of 1977. Although the amount of benefits to which these households are entitled may have decreased, they no longer have to pay to receive these benefits. This provision should assist these households to participate in the food stamp program.

In addition, the 1977 act also provides for SSI recipients to apply for food stamp benefits at SSI offices. We anticipate that this provision will make it much easier for many of the elderly to participate in the program. Mail service, telephone interviews, or home visits may also be used to certify persons unable to reach a certification office because of age or disability.

Senator PRYOR. I have a strong feeling that these people are not so concerned about averages that we deal with in Washington or computer printouts or whatever. These people are in a crisis situation and I think that we definitely have to address a very critical issue here with our elderly population that fall between the cracks in some of these programs. I wish you could supply for the committee the numbers and also your suggestions that we might come forward with from our point of view.

Mr. Chairman, those are all the questions I have at this moment. I may have some more.

Mrs. FOREMAN. Senator, we are not able to support the legislative proposals that have been submitted in the two Houses that are intended to reinstitute the itemized deductions, and there are really two reasons for that. One of those is the administrative difficulties involved with it. They add extreme administrative complexities to the program. One of the reasons that the standard deduction was adopted by Congress was to try to simplify this program, simplification which tends to reduce error, fraud, and abuse.

The President and the Congress and, I think, the people have made it quite clear that they want to see that aura of abuse that has grown up around food stamps dissipated, and we are committed to that in order to have support for the program. We have been working closely with the Inspector General at the Department of Agriculture and will be submitting to the Congress within the next couple of weeks legislation that will penalize States that have an error rate in excess of a set number each year, and we will ratchet that error rate down.

Senator CHILES. I am delighted to see that the Department is coming up with that kind of legislation. That is something else that the Congress has been trying to urge on the Department, and the Department resisted that over the last few years, any idea that we penalize the States for an error.

Mrs. FOREMAN. Well, we have heard your message.

Senator PRYOR. Let me ask this question if I might. I don't want to disagree with our distinguished chairman, but when we penalize the States, who are we penalizing?

Mrs. FOREMAN. We are penalizing the State administration that does not carry out the food program.

Senator PRYOR. No, we are penalizing the elderly recipients.

Senator CHILES. I believe you are getting the State bureaucrats.

Mrs. FOREMAN. The concept is that in a State we have a quality control program that goes in and shows how many food stamps were issued in error in a particular State in a year. Our proposal would be that if the error rate were, say, 12 percent this year, then the next year the State would have to get it down to 10 percent or return to the Federal Government all the money that they had issued in bonus dollars that should not have been issued, in excess of the 10 percent, between 10 and 12. The next year it would ratchet down to 8 percent and so forth.

Mr. GREENSTEIN. Those funds would be withheld from the Federal matching funds for administrative costs, they would in no way be taken out of bonus costs for the elderly or any other recipient.

Mrs. FOREMAN. We do supply the administrative costs to the States under the program, so they are unlike other welfare programs.

I am sorry. I didn't understand what you were saying in the beginning.

Unlike so many other programs, we do have that handle, in order to encourage the State administration, we pay administrative costs, and are not just deducting benefits from them.

Senator CHILES. We want to determine what kind of course we think we should go on to look at this problem. I think we are pretty well convinced that there is a problem and we are going to hear more about that from the next panel of witnesses. So, as of now, while we might have some individual choices of bills, as a committee, we have not made any recommendation. I am a little distressed to hear that the Department has not found any of the particular bills that they like, but I would hope that after we have had a chance to fully explore this in our hearings and make some kind of a recommendation, that the Department will look at this whole cart again, because it seems to me you have an earned income credit that you are able to handle, you have a shelter deduction, you have a dependent care deduction, and we are able to handle those without it breaking the computers and causing too much trouble. If it is necessary to come up with something to alleviate a very severe problem on the part of the people, I would hope the Department would look at that and not say, well, this is going to cause a little more paperwork so we have to be against it. You know, the earned income credit is sort of a special thing for those people that can work. I am for it, I think it is good, but the elderly don't have the benefit of the earned income credit, in the main, because they cannot go out there and earn it.

Mrs. FOREMAN. Two points on that. First of all, my first point about increasing administrative complexity is aimed at what we feel would be an inequitable situation—to say to the States, first of all we are going to make more complicated your certification process and at the same time we are going to penalize you, as we have

not in the past, for making errors. I think that you would hear from a lot of States about the difficulty that we come into there.

Second, we have had a great deal of difficulty in the past. The States have had difficulty determining what is an acceptable medical deduction. If the physician tells someone, "I want you to take this particular medicine, but it is an over-the-counter medicine instead of a prescription medicine." The States consistently had difficulty in determining whether or not that should be an acceptable deduction. It introduces once again administrative complexities at a time when we are trying to eliminate those.

Some of the bills advocate removing the limit on excess shelter costs as well as having medical deductions without limit. They are very effectively eliminating the gross income level which Congress seems to be anxious to have applied to this program. In the past, there was not a gross income level and there now is. If you have unlimited shelter or medical deduction costs, you have effectively removed that.

The second point that I would like to make has to do with cost, because obviously we are all concerned with costs right now. As a result of increasing food price inflation, as a result of new people who have always been eligible for this program but who are just now being able to come in, the costs of the food stamp program are going to be substantially higher in fiscal year 1979 and fiscal year 1980 than we anticipated. Congress, when it passed the Food Stamp Act in 1977, put a cap on the program, only so much money is available in each year. That cap was based on 3 percent food price inflation. We have now had about 17 percent food price inflation, and we are going to go through the cap.

I am concerned about individual elderly people who are losing benefits under the present program. We think, on the whole, the elderly are coming out ahead, but I am very concerned at the prospect that we face right this minute, which is starting July 1, cutting benefits across the board to everybody by a third, or not putting out any food stamps at all in September. Unless Congress acts to raise the food stamp cap, we have a much more serious problem than you are contemplating here today.

I don't deny that people are losing benefits, but we are facing a situation, unless Congress acts very rapidly, in which people's benefits will be cut across the board by about a third, or in which we will have no food stamps at all for the month of September. Frankly, I find a hearing that is concerned about increasing the benefits for certain groups of people somewhat out of sync with the attitude that I am getting from substantial numbers of people.

Senator CHILES. I can deal with only one of these problems at a time and that is the September problem. The Budget Committee has put a mark in to take care of that cap, as you know. I think the points you make are very valid. The Budget Committee in the Senate has proposed raising the cap. The House Budget Committee did the same thing, did they not?

Mrs. FOREMAN. Yes, sir.

Senator CHILES. So that you know as of now Congress is working on that.

Mrs. FOREMAN. We ask you to talk to your colleagues.

Senator PRYOR. May I ask a question?

Senator CHILES. Yes.

Senator PRYOR. In 1977, wasn't one of the main reasons—the thrust of the argument for the change in the food stamp program and the concept of the program—to lessen the amount of bureaucracy?

Mrs. FOREMAN. Yes.

Senator PRYOR. Has this been accomplished?

Mrs. FOREMAN. We think that there are a number of administrative simplifications that have come about as a result in the programs; primarily, for example, the fact that there are about \$2 billion less in actual stamps being exchanged. We have been able to eliminate that whole process of cash accountability.

Senator PRYOR. In the process, did you eliminate the number of employees or people who were administering the program?

Mrs. FOREMAN. In the Food and Nutrition Service.?

Mr. GREENSTEIN. I don't think we have specific information on that. In many cases, the issuers who issue the food stamps were not State employees but private organizations operating under contract with the State to issue stamps. In some places, they are no longer contracting with banks or check-cashing firms, or things of this sort. It is true that the certification process should be somewhat simpler, because we have eliminated most of the itemized deductions with standard deductions. But by the same token, because we have more people coming into the program, some States such as Arkansas, for example, have hired workers rather than contractors, and I think that is entirely because of the increase in number of people on the program.

Senator PRYOR. Could you supply to the committee, or ultimately for the record, the administrative costs of the food stamp program as we know it, not only the dollar amount, but the percentage of the cost that goes into the administration of the program? Not in the purchase of stamps themselves but salaries, et cetera.

Mr. GREENSTEIN. I could tell you off the top of my head. We would be happy to supply that. In 1979, I think we are projecting Federal administrative costs, including the Federal share of State administrative costs, to be between \$400 and \$450 million, and for 1980 about \$450 million. The program is between \$6 and \$7 billion.

Senator PRYOR. \$6 and \$7 billion?

Mr. GREENSTEIN. Yes. States pay a certain percentage themselves but on the Federal end I believe that about 7 percent of all Federal costs go for administration both at the Federal, State, and local level, and about 93 percent goes to benefits.

Senator PRYOR. Would you say the percentage of the administrative cost is waxing or waning? Is it declining or is it increasing?

Mr. GREENSTEIN. I think it is declining slightly. Our data would indicate that it is in a slight decline.

Senator PRYOR. I would very much like to see the figures and I imagine other members of the committee would.

[Subsequent to the hearing, the Department of Agriculture submitted the following table:]

FOOD STAMP PROGRAM COSTS

(In millions of dollars)

	1978	President's budget	
		1979	1980
Bonus costs.....	\$5,206	\$5,382	\$6,481
Administrative costs.....	421	397	446
State administrative costs.....	330	316	363
Other program costs.....	91	81	83
Total costs.....	5,627	5,779	6,927
Administrative costs as percent of total costs.....	7	7	6

Senator PRYOR. Basically, the point of my question here is that I feel like the American people will willingly support a program where they feel that the dollars are going to needy recipients. I think the American public is growing increasingly concerned about the administrative costs of programs. That is the point of my interrogation at this time.

Mr. GREENSTEIN. Senator, we could also supply you with some information that was discussed at the Budget Committee markup on Friday night. About half of all households on food stamps have gross incomes, before any of these deductions, of \$3,600 a year, and the people on food stamps are really quite poor.

I also have a preliminary answer and we will give you a more specific answer on your question a few minutes ago of how many elderly households have medical expenses in excess of the standard deduction. We have a preliminary answer which we do really need to check, it is tentative. 3.5 percent of the elderly and in SSI households on the program have a medical deduction in excess of \$65.

[Subsequent to the hearing, the Department of Agriculture supplied the following material:]

HOUSEHOLD GROSS INCOME UNDER THE FOOD STAMP ACT OF 1977

The majority of households participating in the food stamp program under the new law have very low incomes. Over half of all households in the program have incomes of less than \$300 a month, or \$3,600 a year. Nearly three-quarters have income less than \$400 a month, \$4,800 a year. Less than 3 percent of all households have monthly incomes which exceed \$750 (\$9,000 a year) and none of these are households of less than four people. Six-tenths of one percent of food stamp households have incomes in excess of \$1,000 a month (\$12,000 a year) and all are households of seven or more.

Of households of four, very few have incomes close to the gross income limit of \$10,300. In fact, nearly three-quarters of the households of four have incomes below \$500 a month, or \$6,000 per year. Only one and three-tenths percent have income between \$9,000 and \$10,300 on an annual basis. All of these are households whose income comes from earnings and whose child care or shelter costs are so high that they qualify for the maximum deduction.

HOUSEHOLDS PARTICIPATING IN THE FOOD STAMP PROGRAM UNDER FOOD STAMP ACT OF 1977, PERCENT OF HOUSEHOLDS BY GROSS INCOME ¹

Gross income	Equivalent annual gross income	Household size								Percent	
		1	2	3	4	5	6	7	8+	All households	Cumulative of all households
0	0	2.1	2.4	2.9	12.0	8.7	6.8	5.0	3.1	4.5	4.5
\$1 to \$99	\$1 to \$1,199	4.2	7.2	7.4	7.6	5.8	2.7	4.3	1.5	5.9	10.3
\$100 to \$199	\$1,200 to \$2,399	19.4	16.5	10.7	9.3	7.2	7.6	3.0	3.6	13.8	24.2
\$200 to \$299	\$2,400 to \$3,599	58.0	24.6	12.0	8.9	14.2	8.6	7.6	7.5	28.7	52.8
\$300 to \$399	\$3,600 to \$4,799	14.6	34.4	30.4	17.3	10.7	13.4	7.8	10.4	21.4	74.2
\$400 to \$499	\$4,800 to \$5,999	1.7	11.4	22.1	18.4	16.1	17.1	15.7	12.3	11.8	86.0
\$500 to \$599	\$6,000 to \$7,199	0	3.3	10.6	11.7	14.4	20.4	13.1	12.3	6.6	92.6
\$600 to \$749	\$7,200 to \$8,999	0	.3	3.9	13.5	13.9	8.2	12.2	12.2	4.5	97.0
\$750 to \$999	\$9,000 to \$11,999	0	0	0	1.3	8.9	15.3	26.4	13.0	2.3	99.4
\$1,000+	\$12,000+	0	0	0	0	0	0	4.8	24.1	.6	100.0
Percent of all households		31.4	22.6	16.2	13.6	8.0	4.1	2.0	2.2		

¹ Based on MATH simulation model for households as of July 1978.

Source: Office of Policy, Planning, and Evaluation, Food and Nutrition Service, Department of Agriculture, March 29, 1979.

Senator PRYOR. Mr. Chairman, I believe that is all I have right now.

Senator CHILES. Thank you very much for your testimony.

Mrs. FOREMAN. Thank you.

Senator CHILES. I wonder if USDA might leave somebody here that is knowledgeable with your figures. We will be putting CBO on in a little while and you might have somebody to listen to that testimony that is concerned with the figures.

Mrs. FOREMAN. Thank you.

[The prepared statement of Mrs. Foreman follows:]

PREPARED STATEMENT OF CAROL TUCKER FOREMAN

Thank you, Mr. Chairman and members of the committee, for giving me the opportunity to present the Department's views on proposed legislation to modify the deductions recently enacted in the Food Stamp Act of 1977.

We understand that the desire of many of these bills is to alleviate hardships caused to elderly and disabled persons as a result of the implementation of the Food Stamp Act of 1977. However, the data we have available shows that the new law generally benefits the elderly.

In the past, the Department has been concerned about the low participation rate of the elderly in the food stamp program. We estimate that only 40 to 50 percent of the total number of eligible elderly participate in the food stamp program.

Congress included several provisions in the Food Stamp Act of 1977 to raise the low participation of the elderly.

Following enactment of the 1977 Act, the purchase requirement, widely criticized as a barrier to food stamp participation, was eliminated on January 1, 1979. While there are undoubtedly many reasons for nonparticipation, major among them was the inability to come up with the cash required under the old program rules. Now families are no longer required to put up the cash payment; they will, instead, receive their coupon allotments less 30 percent of their net income. Informal evidence indicates that a significant number of elderly poor are entering the food stamp program as a result of the change in the program.

Another program change that may benefit the elderly is the standard deduction. Congress approved a \$60 monthly figure which is adjusted semiannually, each January and July, to the nearest \$5 according to changes in the Consumer Price Index for items other than food. As a result of this, the standard deduction rose to \$65 a month in July 1978. The \$65 standard deduction is applied to all households regardless of size. In addition, elderly households may also qualify for the excess shelter deduction of up to \$80 a month, which is also not scaled by family size.

Before enactment of the 1977 Act, elderly households tended to have fewer deductions than other households, and the deductions taken were smaller than those of other households. According to our latest survey done in September of 1976, the average total deduction claimed by all households claiming deductions was \$95. For households containing elderly persons (age 65 or over), the average total deduction for those claiming a deduction was \$62, approximately two-thirds of the amount for all households. Eighty-four percent of all households claimed a deduction, compared to 74 percent of households containing an elderly person.

A similar pattern was apparent for the specific deductions for excess shelter costs and for medical expenses, which were deductible under the 1964 Act. The majority of households claimed a deduction for excess shelter costs, 74 percent of all households and 60 percent of elderly households. The average amount claimed by elderly households (\$49) was considerably smaller than that claimed by all households (\$73) for the cost of shelter. Even though medical deductions were claimed by a larger percentage of elderly households (34 percent) than all households (16 percent), the average amount claimed by elderly households (\$38) was smaller than the average deduction claimed by all households (\$42).

We recognize that because the elderly tend to live in smaller-sized households than other participants, their deductions per person may be larger than those for other households. However, the standard deduction, which is the same for all family sizes, compensates for this difference.

Some elderly participants who may incur extremely high medical costs which would have been deductible under the old program will lose benefits as a result of the standard deduction. By and large, the adverse impacts on benefits to elderly

persons should be small, however. In addition, some elderly persons are receiving increased benefits as a result of the standard deduction.

Further, the Department and the Congress recognized that some participants will lose benefits as a result of the uniform benefit reduction rate of 30 percent. Under the old program, actual purchase requirements, as a percent of net income, varied from 5 percent for one-person households with low monthly income to 30 percent for large households approaching the net income eligibility cutoff levels. Overall, the average purchase requirement was about 25.4 percent of net income in September 1976.

The Food Stamp Act of 1977 established a food stamp benefit reduction rate at 30 percent of a household's net monthly food stamp income as determined using the standardized deductions. This rate represents an increase for many households, particularly small households or those with low incomes. Households whose benefit reduction rate increased as a result of the new program need higher amounts of deductions to continue receiving the same amount of benefits. By using a standard benefit reduction rate, it was the Congress' intent to remove the previous inequities in the purchase prices charged to participants under the old program and establish a simple and easy-to-understand benefit structure. Although the 30 percent reduction level is somewhat higher than the proportion of net income that, on an average, food stamp participants paid under the old program, that has been eliminated so the need to come up with cash for the purchase requirement is no longer a major barrier to participation.

There are other provisions of the new Food Stamp Program that benefit the elderly. The age at which an individual is exempt from the work registration requirement has been lowered from 65 to 60 years. A 12-month certification period may be assigned to households consisting entirely of elderly persons. The use of authorized representatives for those unable to get to certification offices will be encouraged. Mail service, telephone interviews, and/or home visits will also be used to certify those persons who, because of age, disability, or transportation problems, are unable to reach a certification office.

Further, under the 1977 Food Stamp Act, the Congress authorized us to conduct various demonstration projects, one of which involves the payment of cash rather than food stamps to households consisting entirely of members who are 65 years old or members entitled to SSI benefits. This is a response to the low program participation rate among this target population, which may be due to the welfare stigma these households associate with the use of in-kind benefits such as food stamps.

PROPOSED LEGISLATION

There have been a number of bills proposed in both Houses of Congress which would remove the limits Congress placed on deductions allowed under the Food Stamp Act of 1977. In addition, some of these bills seek to add an additional deduction for the cost of medical care. Many of these proposals apply only to households containing elderly persons or SSI recipients; some apply to all households.

H.R. 2126, introduced in the House by Mr. Peyser, and S. 632, proposed by Senator Moynihan, would remove the limit on the excess shelter deduction for households composed entirely of elderly persons and SSI recipients.

H.R. 2663, sponsored by Mr. Stack and Mr. Pepper, proposes to remove the limit on the excess shelter deduction for households composed entirely of elderly persons, defined in this bill as those aged 62 or older, or SSI recipients. The bill also adds an additional deduction for medical or dental costs which are in excess of the amount of the standard deduction, now set at \$65.

S. 807, introduced by Senator Durkin, would remove the limit on the excess shelter deduction for all households, not only those composed of elderly persons or SSI recipients.

S. 872, proposed by Mr. Chafee, raises the limit on the excess shelter deduction to \$105. Again, this change would apply to all households, not only those made up of elderly persons or SSI recipients.

Other proposals, introduced in both the House and the Senate, also seek to modify the deductions allowed under the Food Stamp Act of 1977.

The Department does not support these legislative proposals, nor would we support other proposals lifting the limits on deductions set in the 1977 Act. We have two concerns; one of them, of course, is cost. The cost of simply maintaining current benefit levels continues to rise. As food prices increase and as new participants enter the program, it becomes more and more difficult to find budget room for additional cost items. In fact, as the situation currently stands, we may be forced to

cut benefits for all participants unless the spending cap is removed from the program.

However, cost is by no means our only concern. These proposals would introduce additional complexities into the program, at a time when the Department is making a major effort to reduce food stamp error rates. We are currently working with the Office of the Inspector General to develop new ways to reduce errors. We are also proposing legislation which would give States additional tools to reduce their error rates and which would make States with higher than average error rates liable for a portion of the cost of errors. It seems especially unfair to the States to restore itemized deductions, with all their complexities and opportunities for error, at the same time we may assess liability for excessive errors.

In addition, by removing the limit on excess shelter costs, or by including a medical deduction with no limit, these bills remove the gross income limit currently on the food stamp program. Prior to the enactment of the Food Stamp Act of 1977, the program has been criticized because of the possibility that higher income households, through the use of unlimited deductions, could have reduced their net income to the point at which they would have been eligible for food stamps. Removing the limit on the shelter deduction, again raises the possibility of higher income households participating in the program.

We are also deeply concerned about reinstating an additional deduction for itemized medical expenses. Under the 1964 Act, individual deductions were allowed for a number of specific expenses. However, in 1977 the Department proposed substituting a single standard deduction for all itemized deductions, except the allowance for working families of 20 percent of earned income. This was done to simplify administration of the program, and reduce error. At that time, about 30 percent of all errors occurred in determining the proper level of itemized deductions. As the Congress considered various proposals for reforming the food stamp program, the standard deduction was lowered from the level we proposed and an additional deduction for excess shelter costs and child care expenses up to a set limit was added. Congress in passing the 1977 Act, set a ceiling on gross income and substantially reduced the number of deductions allowed in the program. Removing the limit on the shelter deduction or adding an additional deduction for medical expenses would reintroduce the open ended itemized deductions and move the food stamp program back toward the administratively complex situation which existed prior to the 1977 Act, which resulted in higher error rates and a long certification process.

Attachments.

Impact of Food Stamp Act of 1977 on elderly/SSI households ¹

[Percent of households participating under old law]

Ineligible.....	2.3	No change.....	78.4
Lose \$51 +	0	Gain \$6 to \$20.....	5.7
Lose \$21 to \$50	1.8	Gain \$21 to \$50.....	0
Lose \$6 to \$20	11.8	Gain \$51 +	0

¹ Does not include new participants brought into the program as the result of elimination of the purchase requirement.

COMPARISON OF IMPACT OF FOOD STAMP ACT OF 1977 ON ELDERLY AND NONELDERLY HOUSEHOLDS ¹

[Percent of households participating under old law]

	Elderly/SSI	Nonelderly
Ineligible.....	2.3	6.9
Lose benefits.....	13.6	20.2
No change.....	78.4	48.9
Gain benefits.....	5.7	24.1

¹ Does not include new participants brought into program as the result of elimination of the purchase requirement.

IMPACT OF FOOD STAMP ACT OF 1977 ON ELDERLY/SSI HOUSEHOLDS BY INCOME AS PERCENT OF POVERTY LEVEL ¹

	Percent of poverty level			
	0 to 49	50 to 99	100 to 150	150 +
Ineligible	0	0	6.5	100
Lose benefits.....	0.2	8.6	27.3	0
No change.....	52.8	86.1	66.2	0
Gain benefits.....	47.0	5.3	0	0

¹ Does not include new participants brought into program as the result of elimination of the purchase requirements.

Senator CHILES. We will go now to a panel of food stamp administrators and some elderly people. We have people from South Dakota, from Florida, and from New York.

Olga Conner, food stamp specialist, District XI Health and Rehabilitation Services, Miami, Fla.; Mary Ann Diaz, Miami, Fla.; Dennis Loose, food stamp administrator, Department of Social Services, Pierre, S. Dak.; Mrs. Harold Jahnig, Britton, S. Dak.; John Frederick, food stamp administrator, New York Department of Social Services, Albany, N.Y.; and Rev. Howard M. Hills, president, New York Statewide Senior Action Council, Valley Falls, N.Y.

We are delighted to have you all here.

I will start with our Florida people, primarily because I understand they have a problem with making airplane departure time, and if they are going to get home before Easter, they are going to need to get on with their testimony and leave.

Miss Connor, do you want to start off?

STATEMENT OF OLGA CONNOR, MIAMI, FLA., DISTRICT PROGRAM SPECIALIST, DISTRICT XI, FLORIDA DEPARTMENT OF HEALTH AND REHABILITATIVE SERVICES

Miss CONNOR. Mr. Chairman, the State of Florida began implementation of the 1977 Food Stamp Act on December 1, 1978, with the elimination of the purchase requirement. The second phase of the implementation was completed March 1, 1979, when all our cases were converted to the new income deductions that have been established by the act.

The elimination of the purchase requirement through EPR, as we previously said, showed an impact of more participation in the entire State as well as in Dade County, Fla. The increase in participation in Dade County was approximately 5 percent from November to February of 1979.

Senator CHILES. The 5 percent increase in participation?

Miss CONNOR. From November, right, to February.

Senator CHILES. Was that 5 percent overall, or all participants, or is that in the elderly?

Miss CONNOR. No, all participants.

Senator CHILES. All participants.

Miss CONNOR. Also, the bonus that was given to the client or the elderly went up. However, the preliminary March figures, the reports that are not completed yet, show that there was an increase in participation from the November figure, but a decrease from the

previous figure in February. The decrease was approximately 1 percent.

Senator CHILES. A decrease from the figure of February a year before?

Miss CONNOR. February 1979.

Senator CHILES. Oh, I see. When the March 1 regulations went in, then there was a decrease from the February figures to March.

Miss CONNOR. You are correct, Senator.

Senator CHILES. Before the raise went in.

Miss CONNOR. Yes.

Senator CHILES. Approximately 1 percent.

Miss CONNOR. Approximately 1.3 percent. It still clearly indicates that the elimination of the purchase requirement did bring the program closer to the people in the sense that people that were very poor could not save the cash amount to put up for the stamps. However, our estimates in the State of Florida are that with the March 1 implementation, 54 percent of our recipients' benefits were reduced, 1 percent of the recipients were terminated which can also be considered adversely affected, 41 percent had an increase, and 4 percent remained the same.

Senator CHILES. Fifty-four percent were decreased, 41 percent were increased, and 4 percent remained the same?

Miss CONNOR. Yes. In my offices, in the Dade County area, I estimate that approximately 40,109 clients were adversely affected by the implementation of the new regulation. Some of the effects were figures of \$1 or \$2, because the maximum bonus allotment to be given to the clients under the 1977 act decreased from the maximum, decreased from \$1 to \$2 for every household size.

Of a random sample I took of the cases the reductions seemed to be \$16 per household. Of our adversely affected clients, the highest appeared to be in the Hialeah area and it was 60 percent. The cases which appeared adversely affected were due to the fact that the \$80 maximum for shelter and the \$60 standard deduction did not provide for a high enough deduction to maintain the household. The elimination of the medical deductions is also impacted on some of our older citizens.

Senator CHILES. Can you give me any idea of what percent of your recipients are elderly? I know we have a very high percentage in Miami.

Miss CONNOR. I estimate 40 percent would be elderly but the State is now computerized. If I could get a printout, it would have the exact number.

Senator CHILES. Fine.

Miss CONNOR. In Florida, we have approximately 165,000 SSI recipients and in Dade County alone we have approximately 86,000 receiving old age assistance.

Senator CHILES. So you have about half of the SSI recipients in Dade County.

Miss CONNOR. Correct. In Florida, the maximum payment which the SSI recipient gets is \$189.40 for a one-person household, with all deductions. Under the 1977 act the maximum they can receive for stamps would be \$44. That is applying all the deductions within the act. Previously, they could receive up to a maximum of \$58 which would have been better. The new program, however, does

simplify and shortens the certification process and provides for longer certification periods in the fact that the client does not have to verify medical expenses and bring in their average expense for subsequent certifications.

Senator CHILES. So from the time the client comes to make application you can shorten that process considerably by the new law.

Miss CONNOR. You can, because you don't have to verify these previously allowed deductions.

It appears that I have mixed feelings about going to a dollar by dollar deduction which would make the administration of the program harder, but still the impact of not having it provide for some problems for our older citizens. We could consider, for example, establishing an extra deduction for people with medical bills or extra deductions for people with households 65 years old or older and just making it over the standard deduction. We could also consider instead of reducing the benefit on the 30-percent level reducing it to a lesser level.

In the Dade County area the rents are very high. Therefore, the excess shelter cost does not seem to be covering the shelter expense of the client. I could see from the cases that I read that most of them had a higher excess shelter than what the \$80 allowed.

The elderly citizens cannot really afford a reduction in the food stamp allotment at this point, when the inflation rate of food is so high and they cannot barely subsist. For example, in one of our meals-on-wheels programs in which the clients were paying \$1.25 for meals delivered to the homebound, a lot of the people have pulled out of that program because they are not able to pay the \$1.25 with their food stamps.

Senator CHILES. They are able to use their food stamps but they just can't afford to use them for that.

Miss CONNOR. Correct. That is what the senior center down there told me just last Friday.

The second phase of the program was implemented in March; it appears from the consensus of our office staff that the elderly have been affected and we had to update the 1,400 appeals from Dade County.

Senator CHILES. 1,400 appeals.

Miss CONNOR. The food stamp program was implemented to subsidize the nutrition of the people, and I think it is basically needed, and I think we should do something to help the people that have been adversely affected by this situation.

Senator CHILES. And you think there is a problem and that the problem is severe for the elderly people in Dade County?

Miss CONNOR. I believe so.

Senator CHILES. Can you give us a couple of quick examples?

Miss CONNOR. Yes, I have a couple of examples here. Let me give you one with medical expenses.

Client W., over 65, social security retirement with a \$58 deduction for medical expense, a shelter or rent payment of \$80, a utility standard of \$68, and so forth. Before, she received \$44 in stamps. The same client now receives \$26. She had a loss of \$18.

Senator CHILES. None of her expenses have gone down?

Miss CONNOR. No.

Senator CHILES. That is just an appeal, that is not going to do anything good because she is caught by the law.

Miss CONNOR. Right. To bring this client in the same situation up to the previous level of benefits, you would have to add \$50 to the \$65 standard deduction. You would have to give her a \$115 deduction.

Senator CHILES. If we added \$50 to all the standard deductions, we would break the bank.

Miss CONNOR. That is right, but that is what it would take in this case.

Senator CHILES. But if we provided just a medical deduction, a higher medical deduction, we could do that without breaking the bank.

Miss CONNOR. That is right. Another client here was receiving \$34 on the old 1964 act, and to bring this client up to par to the 1964 standard she was getting, then you would have to add \$20 to her standard deduction.

So, it appeared on the sample cases that I did that it took approximately \$48 more of the standard deduction to bring these clients within the 1964 benefits, a \$1 or \$2 difference either way.

[The prepared statement of Miss Connor follows:]

PREPARED STATEMENT OF OLGA CONNOR

The State of Florida began implementation of the Food Stamp Act of 1977 by eliminating the purchase requirement on December 1, 1978. The second phase of implementation began on March 1, by which time all participating households had been determined eligible under the new income requirement by applying the deductions as established by the 1977 act.

The elimination of the purchase requirement has brought about increased participation; for example, from November 1978 to January 1979 participating households in the entire State increased from 232,456 to 250,763, or from 657,206 persons to 707,282 persons. The monthly value of allotments went from \$22,247,110 to \$24,774,847. In Dade County alone, participation increased from 77,716 households to 81,773 households or from 184,369 persons to 195,973 persons. The monthly value of allotments went from \$6,633,505 to \$7,152,091. [Exhibit A.]

The rise in participation clearly indicates that this provision of the act brought the program within the reach of more individuals. This was partially due to the fact that some households with very low incomes had been unable previously to put aside the necessary money to purchase their stamps.

While EPR (Elimination of Purchase Requirement) has brought the program closer to the people and simplified its administration, implementation of the second phase on March 1, 1979, adversely affected a number of households.

In Florida, it is estimated that second-phase implementation affected households as follows: (a) 54 percent benefits reduced, (b) 1 percent benefits terminated, (c) 41 percent had benefits increased, (d) 4 percent remained the same.

[See actual case examples of impact exhibit D.]

It is estimated that approximately 40,109 Dade County households were adversely affected or terminated. A breakdown by office showed that those offices with the highest concentration of elderly had higher percentages of adversely affected households. These percentages are estimated to be as high as 60 percent. A random sample of cases showed an average reduction of \$16 per household. [Exhibit B.]

The cases which appeared adversely affected resulted from the fact that the \$80 maximum for excess shelter cost and the \$65 standard deduction did not provide for a large enough deduction to maintain the households prior benefit levels. The elimination of medical deductions also negatively impacted on the households. Furthermore, the \$1 or \$2 level decrease in maximum allotment per household and the decrease in maximum income standards per household adversely impacted some of the households. [Exhibit C.]

Of the 165,122 SSI recipients in Florida, approximately 86,773 receive old age assistance. Such individuals with the maximum allowed deductions and income of

¹ Exhibits retained in committee files.

\$189.40 can receive \$44 in food stamps, while they could have previously received up to a maximum of \$58. [Exhibit E.]

The income now available monthly to single elderly person in Florida receiving \$189.40 maximum SSI payment and a maximum \$44 food stamp allotment is \$233.40, an amount below the poverty level income for nonfarm households.

The new program, however, simplifies and shortens the certification process and provides for longer certification periods. Because allotments no longer depend on verifying fluctuating itemized deductions, the standard deduction is an advantage to those households which previously had few or no deductions. It appears, therefore, that a return to deductions would impose a hardship for some clients and would make eligibility determinations more complicated as well.

In order to provide more adequately for the elderly, a higher standard deduction could be established for households with persons aged 65 or older, or those otherwise covered under title XVI of the Social Security Act. In the four case examples attached, the average additional deduction needed to bring these clients to their benefit level as provided for under the 1964 act is \$48. A higher standard deduction, therefore, could be determined by randomly selecting cases to determine the adequate amount. [Exhibit D.]

Excess shelter costs and dependent care costs, now combined under an \$80 maximum deduction, should be separate deductions because they address separate and distinct needs.

Although the 1964 act considered excess shelter costs over 30-percent income after all other deductions were made, the 1977 act provides for excess shelter cost to be that amount over 50 percent of a households income after all other deductions are made, that amount is then applied to the \$80 cap. Consideration should be given to reviewing the percentage applied to excess shelter cost.

A further option which could be taken is the promise of a benefit at a lower than 30-percent level for households with elderly members. Under the 1964 act, Florida provided for a benefit reduction level of 23 percent.

Elderly households receiving food stamps cannot afford a reduction in their benefits and do other than subsist. For example, in Dade County those homebound elderly enrolled in meals-on-wheels program had been paying \$1.25 per meal with food stamps, since benefits reductions, those same individuals can no longer afford this important service.

Although the second phase of the new program was implemented in March, early data indicates that the elderly are the most adversely affected. A survey of the 11 Dade County food stamp offices indicates that most of the elderly recipients are having a hard time in coping with decreased benefits, as exemplified by 1,400 appeals to date. The program was implemented in 1964 to supplement each recipient's food budget, due to a rapid rise in the inflation rate, however, food stamps are no longer supplemental but necessary for proper nutrition.

I am extremely interested in the plight of the elderly, and I strongly recommend that revision be made to the Food Stamp Act of 1977 to benefit those people over 65 years old and those covered by title XVI of the Social Security Act, many of whom are living under substandard conditions. I hope that in the case of the elderly, special standards or allowances can be introduced into law which will alleviate some of the hardships already being felt in the households of our senior citizens.

Senator CHILES. Mrs. Diaz, would you tell us something about your own personal circumstances. We appreciate very much your coming up here to testify before the committee.

STATEMENT OF MARY ANN DIAZ, MIAMI, FLA.

Mrs. DIAZ. Thank you very much.

The thing is that my sister-in-law, we live together.

Senator CHILES. I don't want to ask your exact age but I understand you are over 65.

Mrs. DIAZ. Well, I am 67, telling the truth.

My sister-in-law can't walk very well, so I do all her shopping and we have the food stamps together.

Senator CHILES. You have a disabled sister?

Mrs. DIAZ. Sister-in-law.

Senator CHILES. Sister-in-law?

Mrs. DIAZ. Yes, and we pay \$270 a month rent.

Senator CHILES. \$270 a month?

Mrs. DIAZ. Yes. That is all we can afford. I mean, we share all of the expenses, but she has more expenses than me because she has doctors. She can't take the bus because she can't hardly walk, so she has to have a taxi. She pays out \$1, \$2, whenever she goes to the doctor, and being that she was very sick last month, she had to go twice a month to the doctor.

Senator CHILES. What is your income, Mrs. Diaz?

Mrs. DIAZ. My income, what I get every month?

Senator CHILES. Yes, Ma'am.

Mrs. DIAZ. \$189.20.

Senator CHILES. That is under SSI?

Mrs. DIAZ. Yes.

Senator CHILES. What does your sister-in-law get?

Mrs. DIAZ. She gets retirement, \$132 retirement, and she gets \$44 SSI to help out with expenses.

Senator CHILES. What were you getting in food stamps before the new regulations went into effect?

Mrs. DIAZ. We were getting together \$90.

Senator CHILES. I see.

Mrs. DIAZ. And all of a sudden it cut us to the middle, \$30 for both of us. How can we live with \$30?

Senator CHILES. And you are now getting \$30?

Mrs. DIAZ. Yes, \$30. About 2 weeks ago, I had a food stamps interview. I was dropped. I said: "Look, \$30 for both of us. How can we live with \$30?" I went to the secretary.

Senator CHILES. Were you and your sister-in-law able to purchase all of your groceries with the food stamps that you received?

Mrs. DIAZ. Mostly. Maybe about 4 or 5 days before the end of the month we used our stamps.

Senator CHILES. Four or 5 days until the end of the month you could survive.

Mrs. DIAZ. Yes. It was short but we had no children. We eat sandwiches whenever we could.

Senator PRYOR. For the committee, if it is not too personal, would you detail what three meals might consist of—breakfast, lunch and dinner—for you and your sister-in-law?

Mrs. DIAZ. Well, I will tell you what I have. In the morning, I have a little bit of orange juice and a cup of coffee. That is my breakfast every morning. She has the same and then after awhile she has a little bit of farina because she is on a diet. Then we go to the center and we get a meal there. I pay 10, 15, 25 cents, whatever change I have, and they give us a good meal, good lunch. Then at night time I have a snack, maybe a sandwich with a cup of coffee, that is all.

Senator PRYOR. But without the hot lunch though, you would not truly have a real hot lunch provided for you each day, it would be impossible for you to afford a hot lunch?

Mrs. DIAZ. Every once in a while I have a hot lunch—I mean a hot dinner, supper, but it is not all the time.

Senator CHILES. So really you get your meal at lunch?

Mrs. DIAZ. Yes.

Senator CHILES. That is one of the nutrition centers?

Mrs. DIAZ. Yes.

Senator CHILES. You don't have to give food stamps for that?

Mrs. DIAZ. No, they don't take food stamps. You pay cash, whatever you can—10, 15, 25 cents. If I have a little more, I give 25 cents. They don't tell you how much you have to give, but you have to give something if you don't want to be cheap. It is very nice.

Senator PRYOR. How much are your utilities?

Mrs. DIAZ. My utilities—you mean my expenses?

Senator CHILES. Electric bill, gas, and water.

Mrs. DIAZ. About \$25 gas, and the house is very light. My sister-in-law, she is always after me: "Put that light out; I don't live with Edison. Put that light out." She says: "Put that light out; I don't live with Edison, he don't pay my bills."

Then she has the telephone because she needs the telephone. I don't need it but she needs it. She gets all or most of our shopping, call the doctor, by the phone. She don't get out.

Senator CHILES. So now with the \$30 a month that you are getting, how many days can you eat on that? When does the food run out?

Mrs. DIAZ. To tell you the truth, I try to stretch it. About 3 days. I used to buy meat, but meat is so expensive, I said we will cut down on the meat. She has farina and oatmeal, but she is on a very, very strict diet. Now they put me on a diet.

Senator CHILES. So you really had to change even the food that you were buying before, you had to quit buying meat.

Mrs. DIAZ. Maybe once in a while I will buy the cheapest, chicken. They really cut us in half.

Senator PRYOR. I saw a film some months ago, Senator Chiles. I might say, I think it was filmed in Florida, if I am not mistaken, but that is immaterial. The film was about elderly people literally having to go into the alleys and on the streets to supplement their diet.

Mrs. DIAZ. I hope I won't ever get that poor.

Senator PRYOR. Actually riddling the garbage cans. Have you ever experienced any of this, or have you known of any of your friends who have been in this situation?

Mrs. DIAZ. No. No, I don't know of any yet.

Senator CHILES. Well, we thank you very, very much for your testimony. If you have a plane problem, we will excuse you. We will probably have some other questions for the panel.

Mrs. DIAZ. Thank you very much, Mr. Chairman.

Senator CHILES. Mr. Fredericks, we will take your statement now. We are hoping that Senator McGovern will be able to get back.

STATEMENT OF JOHN C. FREDERICKS, ALBANY, N.Y., DIRECTOR, FOOD STAMP BUREAU, NEW YORK STATE DEPARTMENT OF SOCIAL SERVICES

Mr. FREDERICKS. Thank you, Senator Chiles.

Ladies and gentlemen, I am pleased to be here today to share with you some of the concerns that the New York Department of Social Services has about the food stamp program, particularly as it impacts on the elderly in our State.

I have a prepared statement¹ but I would like to give you some statistics that we put together to show what impact the program, which was implemented as of March 1 in New York, is having on New York State. We did not do mass conversions throughout the State, we did it in some areas. In New York City, where they did do a mass conversion on the public assistance caseload, 8,200 households had their benefits terminated. In addition, 200,000 plus had their benefits reduced.

Now the supplemental security income people will have their conversion done on a case review basis, so we don't have current statistics on that. However, in New York, as of September, we had 120,000 SSI households in receipt of food stamp benefits—I believe the statistics now are 160,000—but 58 percent of those households had their benefits reduced.

Similarly, 72 percent of the public assistance households had their benefits reduced. All in all, in New York State, two-thirds of the caseload will have reduced benefits by the time conversion is completed as of June 30.

Since the elimination of the purchase requirement, we do have an increase in the number of applications coming from New York State. I don't have any statistics for New York City, but we have done a quick survey in some of our upstate districts and applications are up as much as 60 percent in some of our offices.

I would like to comment on something that Mrs. Foreman said earlier, when she talked about the administration of the program. While, yes, it is an easier process under the new regulations which we have, several pieces are still reserved and we don't know what they are going to require of us. Our experience has been that it has caused an increase at least at the State level and in many cases caused increases due to expedited service requirements at the county level. Since we are county administered, there will be a requirement for additional staff in order to see that people get their benefits within the 30 days or within the time frames of the 2 days or 3 days that we must meet on expedited service.

I do not have the letter with me, but Secretary Bergland did write a letter to Governor Carey in which he asked him to be sure that there was enough staff assigned to run the program, and he dealt with the issue on an ongoing basis because of the massive changes that are going to come about because of the change in the program.

Now, I would like to read some of this prepared text to you if you will bear with me. I think the most compelling change in the food stamp program is really the ceiling. We do need open-ended rather than closed-ended funding. Social programs which deliver buying power to low income households really cannot operate in the threat of financial cutoff. It would be utter chaos in New York State and City if we were to reduce the benefits because the ceiling is inadequate. We are experiencing that now, we are in court on the terminations and reductions which were made because of the program requirements and when we go to court, normally we get aid for continuing requirements, so that really the cap is not going to hold. At least that has been our experience.

¹ See page 35.

We support all efforts to eliminate the food stamp expenditure cap. We believe that since you have mandated outreach activities, it is really kind of foolhardy for us to bring in more people while we are holding over their heads the threat of reduced benefits or termination of benefits. The Food Stamp Act of 1977 has had some detrimental effects for older participants in times of rapidly rising cost. In New York, some have been ripped off by the system, but we do not believe the incidence of fraud is all that high. If we were to remove all those ineligible from the rolls, we could still not operate within the confines of the program cap. In New York State alone, in some of our project areas, applications are up 60 percent with the elimination of the purchase requirement. The new eligibility rules which were implemented on March 1, when they are fully implemented, will see two-thirds of our caseload have benefits reduced. Fifty-eight percent of our SSI people will have their benefits reduced.

Senator CHILES. Are you talking about March 1?

Mr. FREDERICKS. The implementation of the new program.

Senator CHILES. All right.

Mr. FREDERICKS. For the existing caseload, 58 percent of them will have their benefits reduced.

Senator CHILES. SSI recipients?

Mr. FREDERICKS. SSI recipients, yes. In the public assistance recipients, it is 73 percent. The overall result will be two-thirds of the caseload will have reduced benefits. Granted they are not tremendously large reductions—in some cases they are, but they are reductions in benefits in times of rising costs and housing increases and everything else going up.

Senator CHILES. If you did not have to add to the staff and the number of people who administer the program, then would the recipients have to have a deduction?

Mr. FREDERICKS. Actually, the administrative cost has nothing to do with the level of benefits. The level of benefits is contained in the act and in the regulations of USDA. The administrative cost in New York State runs 8 to 10 percent, which on the surface seems high, but that includes such things as fair hearings and the performance evaluation reviews which are required. The true administration, the actual certification process and delivery of food stamps, would probably be in the area of 5 percent. The balance is over and above that type of administrative expenses, including the payment to the issuing agents, the banks in our case. So it is really not a tremendously large program in terms of administrative cost, although it is increasing because we are adding the staff throughout the State.

There are some specific areas of the Food Stamp Act which have hurt the aged. We believe that the structure of the deductions obviously has hurt the aged. It should be noted that the standard deduction is the same for all household sizes regardless of how many people are in the household. A person living alone receives the \$65 standard deduction. This is also true in other larger sized households, but New York State has been on record as opposing that and supported adding some adjustment for family size.

The remaining deductions really don't help the aged, since the 20-percent deduction for earned income generally does not apply,

nor does the child care expenses. The only remaining deduction that could benefit this group is the excess shelter cost deduction. The formula was changed by the act and is now less likely to benefit older Americans. Additionally, the combined total deduction from this factor, the dependent care deduction, will not exceed—this is particularly true in many areas of New York State, particularly the large urban areas, New York City suburban, and our other large counties.

The Food Stamp Act of 1977 eliminated one of the most helpful deductions for older people, the medical deduction, even though these people, as has been said, normally require additional or more medical care and services and incur greater costs than younger people do. Generally, the deductions that are now in the Food Stamp Act really don't benefit the group of people we are talking about today.

Another aspect of the program that we find is going to be a problem is that when supplemental security income payments themselves are increased for cost of living, that in passing along these benefits to our recipients of SSI in New York State, it is going to have an adverse reaction or adverse effect on their food stamp benefits, not a dollar-for-dollar effect, but I believe it is in the neighborhood of 30 percent, so basically for each \$3 that they get an increased SSI passthrough benefit, they lose a dollar's worth of food stamp benefits. Again, we are asking the aged to pay more than their fair share.

We believe that the Congress should do several things. One, we would like you to lift the expenditure cap in total, not just raising it, if that is possible. We believe that the problem of inflation for older Americans should be dealt with by excluding from food stamp income supplemental security income raises. If this were done, the food stamp benefit levels would remain the same rather than decrease. The change would really be an administrative simplification because notices of adverse action would not then have to be sent and the confusion surrounding reduction of food stamp benefits would be eliminated. We brought this problem to the attention of Congressman Richmond and we are hopeful that something will be done with the July 1 increases.

The other area that we think needs to be addressed right away, and it does not require provisions to the act because it is already authorized by section 11, is to arrange with the Social Security Administration to have SSI applicants apply for food stamps in their offices. This would really be a tremendous help to older people in New York State.

We believe that although USDA has had this authority since October 1977, we have not seen anything yet, yet I understand it is in the works, but then so are many other things. Congress should consider amending the Food Stamp Act to deal with the medical deduction for these households. This would permit a further deduction for older people while maintaining congressional intent and keeping the food stamp program as simple as possible. We don't think that putting the medical deduction back would cause the kinds of problems which Mrs. Foreman mentioned. We certainly hope that your committee will be able to do something to help these people.

[The prepared statement of Mr. Fredericks follows:]

PREPARED STATEMENT OF JOHN C. FREDERICKS

For the last 15 years, the food stamp program has been helping low-income households "make ends meet" by increasing food purchasing power. The Food Stamp Act of 1977 states that the program will "... safeguard the health and well-being of the Nation's population by raising levels of nutrition among low-income households." Older citizens are certainly a significant group of persons who can and should be helped by the food stamp program; indeed, the elimination of the food stamp purchase requirement is a real improvement to the food stamp program in making food stamps available to low-income households. There are, however, significant needs of older people which could be better served by changes to both the Food Stamp Act and food stamp regulations. The most compelling change needed is to make the food stamp program an open-ended rather than a closed-ended program. Social benefit programs that deliver buying power to low-income households cannot operate under the threat of a financial cutoff. Food stamp households must be assured of a continuing program, since the family budgeting process will naturally include the amount of food stamps received by the household. We support all efforts to eliminate the food stamp expenditure cap. Removal of this cap is essential if the States are to continue outreach programs as mandated by both law and regulation.

The Food Stamp Act of 1977 has had some detrimental effects upon the older participants in this period of rapidly rising food costs. In New York, we eliminated the purchase requirement on January 1, 1979, and our rate of application rose approximately 60 percent. The new eligibility rules were implemented on March 1, 1979, and two-thirds of eligible households had their food stamp benefits reduced. Specifically, about 58 percent of the 160,000 supplemental security income recipients, who receive food stamps in New York State, will have their food stamp benefits reduced. Reducing benefits, especially during times of rapid inflation, places additional burdens on the already hard-pressed poor of the Nation.

There are specific areas of the new Food Stamp Act which hurt the aged. The first, and most important, is the structure of the food stamp deductions.

It should be noted that the standard deduction is the same for all households, regardless of the number of people in the household. An aged person living alone would receive a \$65 standard deduction, while an aged couple would receive the same \$65 deduction. No additional allowance is granted for the size of the household. The remaining deductions are not helpful to the aged population. For example, the food stamp act allows a 20 percent deduction for earned income only. Since most older Americans are no longer working, as a class they generally do not receive this deduction. The law also permits a dependent care deduction, which usually means child care so that a household member can work. Generally, older Americans do not receive the benefit of this deduction, since their child-rearing years are behind them.

The only remaining deduction that can benefit older Americans is the so-called "excess shelter cost deduction." The formula for computing this deduction, however, was changed by the act so that it would be less likely to benefit older Americans. Additionally, the combined total deduction from this factor and the dependent care deduction cannot exceed \$80, which hurts citizens who might have high shelter costs.

The Food Stamp Act of 1977 eliminated a deduction which was most helpful to older Americans. The medical deduction was eliminated from the new act, even though older people normally require more medical attention and incur greater expenses than younger citizens.

In summary, the Food Stamp Act of 1977 permits certain deductions, but older Americans are not the prime beneficiaries of these deductions.

Another aspect of the program which affects the older population, is that when supplemental security income payments and social security payments are increased, the persons receiving those benefits have their food stamps reduced. Again, the aged are asked to pay much more than their "fair share" for the rapid inflation rate in our country.

RECOMMENDATIONS TO IMPROVE FOOD STAMP PROGRAM BENEFITS TO OLDER AMERICANS

The most important action Congress can take is to lift the expenditure cap from the program. This will guarantee continued food stamp benefits to all food stamp program participants.

Congress should ease the problem of inflation for older persons by amending the Food Stamp Act of 1977 to exclude from food stamp income raises in the SSI and

social security payment levels. If this were done, the food stamp benefit levels would remain the same, rather than decrease when social security and SSI levels are increased. This change would be an administrative simplification of the food stamp program because notices of adverse action would not have to be sent, and the confusion surrounding the reduction of the food stamp benefit would be eliminated. New York State has already brought this problem to the attention of Congressman Richmond and, hopefully, the July 1979 SSI increase will not adversely affect the older citizens of our country.

There is one major area which Congress should address that does not require revisions to the act, since it was authorized by section 11 of the act. USDA has had congressional authority to work out an arrangement with the Social Security Administration to have SSI and social security applicants apply for food stamps in SSA offices. It is clear that this arrangement will provide the most satisfactory method for insuring the participation of older persons in the food stamp program. Although USDA had the authority from September 1977, we have neither seen nor heard anything on the progress of this important linkage between Federal agencies. I urge you to facilitate this linkage as soon as possible.

Congress should consider amending the Food Stamp Act of 1977 to permit a medical deduction for households with a member age 60 or older. This will permit a further deduction for older people, while maintaining the congressional intent for keeping the food stamp program as simple as possible. The deduction should be a simple dollar-for-dollar deduction rather than a deduction based on a percentage of income.

Congress could amend the act so that a resource allowance of \$3,000 was available to older people who live alone, rather than just to older people who live with others. This would permit older people to live independently and still participate in the food stamp program when resources are low.

I hope that this committee can help make changes to make life more bearable for older persons who are on fixed incomes.

Senator CHILES. Thank you very much. Reverend Hills.

**STATEMENT OF REV. HOWARD M. HILLS, VALLEY FALLS, N.Y.,
PRESIDENT, NEW YORK STATEWIDE SENIOR ACTION COUNCIL**

Reverend HILLS. Thank you, Senator Chiles, for this opportunity to be with you and talk over this food stamp question.

Senators, my name is Howard Hills. I am a retired minister of the United Methodist Church, presently living in Valley Falls, N.Y., a small rural community about 25 miles north of Albany.

Senator CHILES. Most retired ministers we allow to move to Florida, Reverend Hills. What has happened to you that they are keeping you in New York?

Reverend HILLS. Well, I found too many elderly in New York State who still needed me.

Senator CHILES. You are still serving?

Reverend HILLS. Still serving.

Senator CHILES. I will accept that.

Reverend HILLS. Repeatedly I have said I am busier now than I was before I retired.

Senator CHILES. That is a good excuse, Reverend Hills.

Reverend HILLS. During my 48 years in the ministry, my parishes have all been in small communities. Since retirement, I have been engaged in advocacy for the elderly and am now president of the New York Statewide Senior Action Council, an organization representing the nearly 3 million senior citizen residents of New York State.

I do not pretend to be well versed in the funding or the administration or the statistics that are involved with the services provided by food stamps, but since the inception of the food stamp program, I have been in a position to observe the effectiveness of the pro-

gram in meeting the basic needs of the families in my parish and more recently in the senior citizen clubs and centers that I visit around the State.

Senator CHILES. I understand that your council is made up of four citizens from every county in New York State, is that right?

Reverend HILLS. The council itself is composed of senior citizens elected by the seniors of the counties. We also have a board of directors and they are elected in groups from regions, 10 regions in the State. Their board of directors again are elected by senior citizens themselves, and the directors must be 60 years of age and over.

Senator CHILES. But your council, I understand, has to have at least two below the poverty line for every two above.

Reverend HILLS. Yes. One-half of the representatives on the council are the low-income elderly.

Among those elderly whose incomes have been drastically reduced either by mandatory retirement or by termination of employment because of declining ability to perform their jobs and whose living costs at the same time are spiraling upward, food stamps are and have been the margin between hunger and nutritional sustenance, and because that margin has always been very narrow, even the slightest decrease in benefits causes hardship and suffering. It has been indicated, as Mr. Frederick said a few moments ago, that among the 120,000 participating households on supplemental security income, the very large majority of those are elderly persons. The newly imposed regulations will result in a decrease in benefits to about 70,000 households and these decreases will average about \$2.80 per household.

Now since among the elderly many of these are single-person households, this can almost mean a decrease of \$2.80 per person. For a person living on the thrifty food plan—which, by the way, I believe is impossible in any part of New York State—this means a loss of five meals per month.

Consider the case of Mrs. A., who is 85 years old, partially blind, and living in a small modest home in Briarcliff Manor in New York. She lives alone, has a homemaker who comes in 5 days a week. She receives a social security check of \$177.60 and a supplement of \$91.25, a total of \$268.85. She has no other income, can hardly meet expenses. By the way, Briarcliff Manor is a high-income area, yet her food stamp benefits are being reduced from \$44 to \$21 per month, a reduction that is a little short of economic cruelty.

Or consider Mrs. B., an elderly widow living alone in Eagle Bridge, about 6 miles from my home. She has worked hard all her life but she is now unable to work because of cancer. She receives social security and SSI and is medicaid eligible. In the new food stamp program, she is allotted \$16 worth of stamps. This provides her with a total of \$254 per month for all living expenses. Assuming that she can sustain herself on the thrifty food plan, which I said is impossible, Mrs. B. has left, after eating, \$197 for all expenses for a month.

A few months ago I was invited to address the Essex County Senior Citizens Council meeting in a small town on the west side of Lake Champlain, a community that has been impoverished by the

closing of the iron mines that once flourished in the Adirondacks. I was told that the village once boasted the homes of six millionaires. During my conversation with the village mayor, he paused and looked across the audience and then turned to me and said, "There are people in this room now who live in shacks with dirt floors, no plumbing, no electricity and no jobs; and they have no way of moving away from here." Now these are the people for whom food stamps make a difference between eating and going hungry.

Twice I have mentioned the thrifty food plan. If I understand it correctly, this plan is supposed to be a guide in determining the cost of a diet required to feed a family or an individual in the continental United States and that the "cost of such a diet shall be the basis for uniform allotments for all households, regardless of their actual composition." That quotation was taken from the Food Stamp Act of 1977, section 3(o).

Publication No. 1201D, issued in March 1979, by the New York State Department of Social Services, indicates on page 5 that "the maximum food stamp allotments are \$57 for one person, \$105 for two persons, based on the thrifty food plan." For one person, this means 63 cents available per meal, and for two persons, \$1.14.

With hamburger at \$1.35 per pound—by the way, on the TV news this morning, I heard Commissioner Ratner, of the Consumer Affairs Commission in New York City, say that they predict the price of hamburger in New York City within the next year to be \$2.40—eggs 80 cents per dozen and lettuce 79 cents per head, how many meals can be provided at the rate of 63 cents a meal? These are prices that are now prevailing in upstate New York. Metropolitan areas such as New York City, Buffalo, Rochester, and Yonkers see prices far above these.

The present level of food stamp allotments fall far short of the goals set forth in section 2 of the Food Stamp Act; that is, "to promote the general welfare, to safeguard the health and well being of the Nation's population by raising levels of nutrition among low income households."

Senator Chiles, at this point I would like to digress from my prepared testimony. At the time I wrote this material that you have in hand, I was not aware that Senator Moynihan and Senator Stone, who was here earlier this morning, and others are introducing legislation that they have mentioned. In fact, until Monday of this week, I was not even aware of the fact that this hearing was to be held.

I am still concerned about the \$80 limitation on the deduction for excess shelter cost. In upstate New York, the cost of fuel to heat a very modest home when the outdoor temperatures are 10° to 20° below zero, the cost of electricity to light that home may very well exceed that \$80, especially during the winter months. In February of this year, the cost of fuel oil to heat my little five-room house was \$114.34. Besides this I have a wood burning stove to provide partial heat.

Then add to that the cost of maintenance, of taxes, or rent. Of equal concern to me and the elderly is a need for a change in the deduction for medical expense. While the elderly people in New York State compose about 10 percent of the population, they use about 25 percent of the prescription drugs and nearly the same

percentage of the health care services. Deduction for medical costs, especially among the elderly, is very, very significant.

This morning we have heard a lot of statistics and I realize that the use of statistics are very necessary but statistics are inadequate when it comes to dealing with persons. Just 3 weeks ago in a meeting of the Saratoga County Council Senior Citizens, in conversations after the meeting, there was a discussion of the problems that some of the people were having. They spoke about their losses in food stamp eligibilities and so on. I remember one lady saying that now it is not worth her while even to go to apply for food stamps, and I think that spirit is noticeable among many.

I was particularly delighted earlier to hear one of the Senators mention his proposal to use commodities in the services that can be provided by senior citizen multipurpose centers. I think that is a splendid idea and I would be glad to give any support I could to the idea. It is very much needed; it will be very, very meaningful to the senior citizen centers.

Again, thank you very much for this opportunity to speak to you on behalf of the aging population of New York State and of the whole Nation. I shall anticipate and shall appreciate every effort to fulfill this declared policy of the Food Stamp Act by increasing its benefits and services.

Senator CHILES. Thank you very much.

I see Senator McGovern has just come in.

Senator McGovern, would you come up to the table. We have been hearing the panel of witnesses and we held the South Dakota witnesses hoping that you would be able to return.

Senator MCGOVERN. I appreciate that, Mr. Chairman.

Senator CHILES. We are delighted to have your appearance here. I don't think anybody could talk about nutrition really without talking about George McGovern. I think every law on our books bears your signature. I know of your concern for the problem that it looks like we are now experiencing with the changes made in the Food Stamp Act last year which are now going into effect.

We are delighted that we have some people from South Dakota here, but we are also delighted to have the opportunity to hear from you on this subject, knowing of your interest in the overall subject and your chairmanship of the subcommittee of the Committee on Agriculture that will be dealing with this area.

Our committee hoped to have this hearing today to try to determine the parameters of the problem. All of us, I am sure, have been hearing from our people that they are squeezed by the program. We are hopeful that the Committee on Aging will come up with some recommendations that we hope to forward for your perusal on the Agriculture Committee as you will be dealing with this problem. Let me say that we are particularly pleased to have you here today.

Senator PERCY. Mr. Chairman, may I just say a word to Senator McGovern? I had the great privilege of serving as the ranking Republican minority member on a committee called the Senate Select Committee on Nutrition and Human Needs. Even though the committee did not have legislative authority, under George McGovern's leadership the committee probably did more for the people in this country than any committee I have served on. Even

though he was not associated with the food stamp program, he and Senator Kennedy worked on the school lunch program that started with a modest \$1.8 million. The program level has grown to better than \$2 million now, and is one of the finest programs I think we have in this country.

We tried to pay for it by reducing some surplus payments to farmers for not growing crops, in order to buy food for people that really needed it. I think that it is one of the best investments we made. George McGovern's leadership was just tremendous, and I am proud that I had the privilege to serve with him on that committee.

STATEMENT BY SENATOR GEORGE McGOVERN

Senator McGOVERN. Thank you, Mr. Chairman.

Can I get a transcript of all that?

I want to thank you and Senator Percy for your kind words. As Senator Percy knows, we had Secretary Vance and Secretary Brown testifying before the Foreign Relations Committee today on the Middle East treaty, and the Middle East peace settlements. That prevented me from staying when I came here a little earlier. I do want to thank you, Mr. Chairman, Senator Percy, and Senator Heinz, or any other members of this committee for the role that you are playing in pointing out some of the unresolved problems in the food stamp program.

I agree with Senator Percy. The food stamp program is one of the most important programs we have had on the statute books. I don't know of any social legislation that benefits more people in a substantial way than the nutrition programs, and especially the food stamp program. Without that program, many Americans would be experiencing real suffering and malnutrition at the present time.

I do think it is fair to say that in the Food Stamp Act of 1977 the Congress may have done some things that we need to take another look at, and I am grateful that we are doing that here this morning. It is a fact that the changes we made in the deductions on shelter and medical care are working real hardships. I talked with the people in my own State about it and I know that this has been a problem that we are going to have to look at. I will be very much interested, as the chairman of the Nutrition Subcommittee, in any recommendations that you and members of this committee have, or any of the insights that come out of this hearing.

Mr. Chairman, I really came here to say a word about Dennis Loose, who is the administrator of the food stamp program in South Dakota. I think he is one of the best in the country. As you will discover, he is thoroughly informed on every aspect of the program. He is accompanied by Mrs. Jahnig of Britton, S. Dak. I lean on our South Dakota food stamp director very heavily for my own understanding of the program and I am glad to present him at this time.

Senator CHILES. We thank you very much for that and for your statement.

Mr. Loose, we will hear from you now.

STATEMENT OF DENNIS LOOSE, PIERRE, S. DAK., ADMINISTRATOR, FOOD STAMP PROGRAM, SOUTH DAKOTA STATE DEPARTMENT OF SOCIAL SERVICES

Mr. LOOSE. Thank you, Mr. Chairman and members of the committee. Like Senator McGovern, I would like a transcript of those remarks.

As a 10-year employee of the South Dakota Department of Social Services, I have worked with the elderly in South Dakota's medical services, old age assistance, and food stamp programs. One out of every six South Dakotans are elderly and the concerns of this committee are shared by the people of South Dakota.

I will confine my remarks to three areas, all of which are associated with the implementation of the Food Stamp Act of 1977 and its effect on the elderly of South Dakota who participate in the food stamp program: (1) The effect of revised eligibility and benefit levels; (2) the methods used to determine net allowable income as these pertain to shelter and medical deductions; and (3) the failure of the U.S. Department of Agriculture to act on the simplified intake procedures mandated by the act for supplemental security income households. I realize that Mr. Greenstein indicated earlier they have addressed that issue; however, I would still like to touch on it briefly.

We first became concerned with the effect the act would have on elderly program participants in the Fall of 1977, when we applied new regulatory criteria to 110 case situations. These cases were randomly selected from the case universe used to determine the program's quality control sample. We found that 62 percent of elderly households would receive a bonus reduction averaging \$9.41, while 38 percent of the sample would receive a modest bonus increase of \$2.33. While we were surprised at the effect the act would have on elderly persons living on fixed incomes, we failed to realize at that time the effect of the act on households not fitting into the "averages" determined by the sample.

[The following table was submitted for illustration purposes.]

EXHIBIT A.—FOOD STAMP ACT OF 1977: PROJECTED EFFECT ON FOOD STAMP PROGRAM HOUSEHOLDS IN SOUTH DAKOTA

[From quality control sample]

Category	Average household size	Average net income	Average reduced bonus	Percent of cases affected	Average increased bonus	Percent of cases affected	Percent term	Percent no change
ADC only	3.71	\$216.15	\$25.35	31	\$5.51	66	3	.....
SSA/SSI	1.32	137.23	9.41	62	2.33	38	.....	.....
Wage earners.....	5.75	302.10	18.40	75	7.41	13	.....	12
Self employed	4.80	83.21	11.39	40	7.47	40	.....	20
ADC/earnings	4.20	503.46	21.18	20	18.03	40	40	.....
Other ¹	2.12	93.33	8.53	63	3.28	25	.....	12
Averages	3.65	222.58	15.72	49	7.34	37	7	7

¹ Workman's compensation, unemployment compensation, general assistance, striker, veteran's benefits, and no income.

Mr. LOOSE. Program caseworkers report many instances of case closings, drastic benefit reductions, and generally complete frustration by the affected households. Many employees have told us that

the conversion from old regulatory criteria to new has been the most difficult period they have experienced as program employees. They point out that elderly program participants have come to rely on their food stamp benefits as they do their social security and supplemental security income payments, and the decrease in benefits they are experiencing has made it very difficult for them to budget their monthly income in a period of inflation.

We have not completed our caseload conversion at this point, so I cannot give you the final effects of the regulations as they will apply to the elderly. The projected effect of the act that I just discussed and the case situations that caseworkers are bringing to our attention would indicate, however, that our experience will be similar to that of Florida, Maine, and New Hampshire, where conversion has been completed and benefit reductions have affected 55 percent, 75 percent, and 80 percent of the participating caseload.

Regulatory changes directing the treatment of shelter and medical expenses appear to have the strongest effect on the elderly, with the application of a "standard" deduction, including all medical deductions, having the greatest impact.

Under the old law, persons participating in the program were allowed a dollar-for-dollar reduction of gross income based on their anticipated medical expenses. Under the new law, every participating household receives a \$65 standard deduction, and no allowance is made for medical expenses that exceed this figure. This has created gross inequities as persons with high fixed medical expenses receive a deduction that is no greater than that allowed a family with no medical expenses whatsoever.

I have prepared four case situations which will illustrate the effects of the new act on the participation of elderly households. Labeled "Exhibit B," the case situations highlight the impact of regulatory changes as they affect the treatment of medical and shelter expenses. Please note that the cases used in this illustration pay an average 64 percent of their gross monthly income for shelter expenses and medical costs.

[The material referred to follows:]

EFFECTS OF THE FOOD STAMP ACT OF 1977: FOUR CASE EXAMPLES

Case situation No. 1: 71-year-old head of household and spouse age 72

Gross monthly income \$416.40 (SSA); medical expenses, \$108.23; shelter cost, \$130.83. Fixed expenses represent 57 percent of gross income.

February bonus,¹ \$38; March bonus,¹ \$10. Bonus reduction 74 percent.

Case situation No. 2: 81-year-old head of household and spouse age 74

Gross monthly income, \$434 (SSA); medical expenses, \$108; shelter cost, \$148. Fixed expenses represent 59 percent of gross income.

February bonus,¹ \$38; March bonus,¹ closed. Bonus reduction 100 percent.

Case situation No. 3: 74-year-old head of household and spouse age 71

Gross monthly income \$405 (SSA); medical expenses, \$80.30; shelter cost, \$196. Fixed expenses represent 68 percent of gross income.

February bonus,¹ \$50; March bonus,¹ \$11. Bonus reduction 78 percent.

¹ February bonus calculated under Food Stamp Act of 1964, March bonus under Food Stamp Act of 1977.

Case situation No. 4: 91-year-old head of household and spouse age 92

Gross monthly income, \$350.94 (SSA and pension); medical expenses, \$83.36; shelter cost,² \$164. Fixed expenses represent 71 percent of gross income.

February bonus,¹ \$62.00; March bonus,¹ \$27. Bonus reduction 57 percent.

Mr. LOOSE. Based on the preliminary findings of our agency and that of other States and our experience to date with the effect of the new regulations, we recommend:

That utilities and shelter costs be budgeted as they were under the old program, but that utility standards be maintained for the benefit of both clients and agencies;

That the client should only have to establish that they are responsible for a utility item to claim the standard;

That actual utility costs be allowed on an "as paid" basis, subject to normal verification requirements; and

That verified medical costs should result in a dollar-for-dollar reduction in the gross income used to calculate food stamp benefits.

One of the most straightforward directives of the Food Stamp Act of 1977 mandates the U.S. Department of Agriculture to develop procedures that will allow applicants for supplemental security payments to make application for food stamp benefits on a simplified application form filed at the Social Security Administration Office. The obvious design of this provision of the act is to encourage the participation of this particular category of recipient—a category which by definition is composed of the poorest of the country's poor.

In October 1978, this agency conducted a field survey of 161 randomly selected SSI households not participating in the food stamp program. Personal interviews were conducted with these households in all instances. The data obtained by this survey indicates that the single greatest barrier to participation was the purchase requirement, social stigma was not a primary matter of concern to people interviewed and many of the households felt the value of the benefit received was not worth the paperwork involved in the application process.

This, I believe, clearly indicates the wisdom of filing at an SSI office. We are not aware of all the reasons that the USDA and the Social Security Administration may have in failing to implement this important part of the act, but the net effect has been a disservice to those SSI households the mandate is designed to assist.

It is our conclusion that while this provision of the act represents a decided effort to improve program accessibility, it may still fall short of its mark. As the act itself notes, the basic eligibility information is contained in social security files. How much simpler then to obtain shelter and medical costs at the same interview and certify the household according to social security time frames for eligibility review. If Social Security does not review SSI availability for 1 year, we suggest the client be certified for the same period of time.

We believe our recommendation would more fully refine the implementation of this part of the act by creating:

A truly simplified client application process.

¹ February bonus calculated under Food Stamp Act of 1964, March bonus under Food Stamp Act of 1977.

² Client uses State utility standard and case will be closed in May when summer rate becomes effective.

Reduced costs to State and Federal Government due to a decrease in duplicated efforts.

Would not require these elderly clients to deal with two agencies; and

Furthermore, would result in more uniform certification periods for this category of clientele based on SSI standards for review of eligibility.

This proposal would require that the benefit levels of SSI households be processed up to the point of determining benefit levels entirely within the social security system. State agencies would then issue coupons entirely on the information referrals received from social security field offices. The proposal should not be as burdensome to the Federal agency as it may seem at first glance. Income and resource information are already acquired, and only shelter costs and medical expenses would need to be verified.

I want to thank you again, Mr. Chiles. I would like to deviate from these remarks with one additional statement if you allow me.

Senator CHILES. Yes, sir.

Mr. LOOSE. It was either Mrs. Foreman or Mr. Greenstein who mentioned the simplification that resulted from the act. I believe in many areas that statement is very true. I am concerned, however, that the quality control instruction that has not yet been issued is going to be much more restrictive than the certification instruction and if it is, this can only result in a relatively high error rate nationwide and will cast a negative impression of the program on the public. Our past experience with quality control regulations are that they are more restrictive than our own instruction and many times entirely out of step with our instruction. In short, many of the errors ascribed to clients and State agencies have been caused by the Federal instructions. The problem has been acknowledged for several years, and I would urge strong corrective action be implemented in the quality control regulations which will soon be published.

Thank you very much.

Senator CHILES. Thank you.

Mrs. Jahnig.

STATEMENT OF MRS. HAROLD JAHNIG, BRITTON, S. DAK.

Mrs. JAHNIG. Thank you, Senator Chiles.

My name is Mrs. Harold Jahnig and I am from Britton, S. Dak.

I am going to tell you in the northern part of the State, where we get pretty cold winters, like we did have this winter especially, we had 70 days where it never got to zero, it was always below zero.

Senator CHILES. Seventy days?

Mrs. JAHNIG. Seventy days, it was right around that.

I am blind in one eye. I had a hemorrhage in 1972 and laser treatments to save as much as I could, but that is very poor, too. I have high blood pressure and I am a diabetic. I have a coronary heart problem and my husband has emphysema. Now I am 66 years old and will be 67 in the fall and my husband is 73 and he will be 74. Now, he worked up until 1974 and we had some savings, but it didn't take long to use them up. So we do have an awfully expensive drug bill.

Senator CHILES. Would you tell me first what your income is?
Mrs. JAHNIG. \$387.40. Not enough to have SSI—I mean, too much to have SSI.

Senator CHILES. So you are over the line; you don't qualify for SSI?

Mrs. JAHNIG. No, but if I divorced my husband—which he has already asked me to—we have been married 45 years. He said if we would get a divorce, then I would get the SSI money and my medical and doctor bills paid, and we would really be further ahead, but otherwise—

Senator CHILES. He would still like to live with you though.

Mrs. JAHNIG. Oh, yes. He said I could live in the same house. I said I don't think they would allow it.

Our medical bills for last year—it seems like every year they go up higher—but last year was \$1,238.76.

Senator CHILES. \$1,300?

Mrs. JAHNIG. \$1,238.

I am a diabetic and I have open sores and we have to buy a special ointment which costs \$7.98 a tube. I have to buy gauze bandages, I have to buy insulin, and I have to buy syringes—well, you probably know, for testing. I buy tape to use on the gauze for my sores and I have to have alcohol and swabs. That costs another \$233.57 a year, so all together that makes \$1,472.33, really, that we have to put out.

Senator CHILES. All of those things that you are giving me are not deductible? After medicare you don't get deductions for any of those?

Mrs. JAHNIG. Medicare won't pay these. These are things that medicare does not pay.

Senator CHILES. That is what you pay?

Mrs. JAHNIG. Yes.

Senator CHILES. It is not covered.

Mrs. JAHNIG. My husband has quit taking some pills because he cannot afford them and he figures that he is on his feet, whereas I am not, and that he probably can get by a little better. That takes care of most of the medical care.

Senator CHILES. You have some premiums for some private health insurance policies?

Mrs. JAHNIG. Yes, we do. It amounts to about \$17 a month for the two of us.

Senator CHILES. So that is \$204 a year.

Mrs. JAHNIG. Yes, but we don't have—I mean it won't pay enough to make any difference. You know what I mean, it is just—

Senator CHILES. You pay them, but they don't pay you back?

Mrs. JAHNIG. Well, one of them won't pay until you are in the hospital 6 days, if you know what I mean, up to the seventh day, then they don't pay but only a little bit. I think it pays \$16 a day, and you know what we pay for a doctor nowadays at a hospital.

Taxes on our home are about \$147.81. Then we have house insurance of \$170 a year. Our fuel last year was \$609.56, but there was one payment we still owe for this year on that.

Senator CHILES. You still owe a payment?

Mrs. JAHNIG. One payment for the end of 1978; yes, we do.

I was going to say the last time we filled the fuel it was 56 cents a gallon, and it has risen to 63 cents since then in the last 3 weeks. And it always goes up; it never comes down, you know. This same 63 cents will be more the next time. We used to get that fuel for about 17 cents a gallon about 6 years ago.

Our other utility, lights, was \$604.76 last year. It averaged about \$48 a month. They raised that to where we are already to \$52 this year.

Our telephone is \$9.20 a month. That is just regular rate.

We are paying some old hospital and doctor bills like I have my clinic where I go. It did cost me \$244 last year for doctor bills and we have mileage on this. I have to go 150 miles to a doctor and I have not figured anything in there for that.

Senator CHILES. Last year, what did you get in food stamps? What were you getting a month?

Mrs. JAHNIG. Last year, in December we got like \$100 free because we had the house insurance. November was pretty bad, but in January and February we got \$83 a month. We are now getting \$10.

Senator CHILES. So you have gone from an average of at least \$83 a month to \$10 a month?

Mrs. JAHNIG. That is right.

Senator CHILES. Your husband is a diabetic, too, I understand.

Mrs. JAHNIG. Yes, he is a diabetic. He takes the pill.

Senator CHILES. Is he on some kind of special diet?

Mrs. JAHNIG. Well, we both are, put it that way.

Senator CHILES. I see.

Mrs. JAHNIG. And that does sometimes cause a problem because some foods are a little higher, like your unsweetened fruit and stuff.

Senator CHILES. Having to pick up those food costs, are you able to meet your medical expenses for you and your husband now?

Mrs. JAHNIG. No; we are not. No way. We paid on two old doctor bills last year. Right now, I don't know if it was January or February, we finally got one paid off. Then he had an operation in 1975 again, and that operation the bill from the doctor was over \$700. Well, we talk about medicare, but medicare paid the smallest half of that. I wrote to them and asked them—

Senator CHILES. How are you and your husband making it now with this cut?

Mrs. JAHNIG. We are not making it. We are begging money from our children—we have to in order to live, to eat. Like this month there won't be any money for food.

We don't get anything off for water rent. We did go to food stamps for our water, you know. We don't pay water rent, no; but we had to dig a well and we are paying \$52.84 for 5 years. We pay that just to have the water, you know what I mean. Then we have to soften this water because it is hard, and on top of that we have to pay the rent of a softener every month which is like \$22 every 3 months. You know, if you put this all together, \$387 does not even begin to cover it.

Senator CHILES. I want to say to you and Mrs. Diaz, I cannot imagine how two people could be as cheerful as you both are under the circumstances.

We want to thank you very, very much for your appearance in coming up here.

Senator Percy, I understand you have a statement. We are delighted to have you.

STATEMENT BY SENATOR CHARLES H. PERCY

Senator PERCY. I thank you.

Mr. Chairman, I am pleased that the Special Committee on Aging is conducting a hearing on "The Effect of Food Stamp Cut-backs on Older Americans." The Food Stamp Act of 1977 is the most comprehensive and detailed statutory revision of the Federal food stamp program since it began as a pilot program in 1961. The intent of Congress in enacting this legislation was to eliminate the fraud and abuse in the program and to reach the most needy, the poor. As of March 1, Illinois began to implement certain provisions of the act. Although the Illinois Department of Public Aid has not totally converted to the new system, the department would like an opportunity to submit testimony to the committee on this subject in the next few weeks. I respectfully request the chairman to leave the hearing record open for 30 days in order to receive this testimony.

Mr. David B. Monson, acting director of the Illinois Department on Aging, has sent me a letter giving examples of cases which demonstrate the hardships the revised food stamp regulations are inflicting on older persons living on fixed income in Illinois. I would appreciate having his letter and enclosure included in the hearing record,¹ as well as his future report on this issue.

With your indulgence, Mr. Chairman, I would like to read a few excerpts from this letter:

The new rules, which became effective March 1, include two major programmatic changes that impose an intolerable burden upon the elderly poor.

The original purpose of the food stamp program was to alleviate hunger and malnutrition among members of low-income households. While I am certain it was not the congressional intent in passing the new law, the regulations clearly impose hardships on low-income older people. The department has documented instances where food stamp entitlements have been cut in half with implementation of the new regulations. With fuel bills for February remaining to be paid, many older persons must now choose between heating and eating. Older people want to remain in their own homes—in their own communities—as long as possible. With the spiraling inflation the budgets of many older persons are being stretched to the breaking point. Given the magnitude of the problem and the necessity of Federal action I am writing to you at this time and asking that you share this correspondence with the Senate Special Committee on Aging.

I would like to share with our distinguished witnesses today one of the Illinois cases mentioned in the letter. Prior to March 1, 1979, couple A, with social security benefits of \$403.10, received a food stamp allotment of \$105 per month. The entitlement to this bonus was possible because of a \$304.54 monthly medical deduction and an excess shelter deduction of \$77.41.

After March 1, 1979, under the new regulations, the couple received \$10 per month allotment for a net loss of \$95 in food stamp benefits.

I ask our distinguished witnesses if this is not a case where older persons that are living in the Northern Plains cannot really keep the thermostat down as far as other people can, since it would be

¹ See appendix, item 3, p. 64.

injurious to their health. Isn't this also a case where the low-income older person is forced to choose between paying the heating bill or buying food.

STATEMENT BY SENATOR JOHN HEINZ

Senator HEINZ. Mr. Chairman, there is also the problem of literally having to choose, not only between being cold or being hungry, but of being sick as well, that is, not having enough money for medication; and even the choice between food and water. You would have to dig a well when you choose between food and water. I don't know anybody who can get along without both or who could get along without the medication that is essential if you have diabetes. It is indeed a serious situation so I want to commend you, Senator Percy and Senator Chiles, for focusing our attention on this problem.

I don't intend to take up much time, but I do want to say that we have a problem that we should not let escape us. When the CBO testifies I think we will see that there were some unintended but nonetheless very real effects on the elderly. It was a gross error of judgment on all our parts that the food stamp reforms, which were intended to allow people, the poorest of the poor, to participate in the program without the cash requirement up front, should bring us to this impasse. But clearly as evidenced by the case of Mrs. Diaz and by the case of Mrs. Jahnig we have some absolutely pressing and serious cases on our hands.

I thank you for yielding.

Senator PERCY. I appreciate that very much. I have a message for all the candidates who are up for reelection. I read an article about the 20 Democrats who are up for reelection.

Senator HEINZ. Twenty-four.

Senator PERCY. Twenty-four. I am the one who got the "message" in Illinois. I made it very clear before the election that I didn't interpret that message—to balance the budget, to cut out waste and inefficiencies, and reduce regulation in government—to mean taking away the responsibility of a government to be compassionate and understanding and helpful and to reach out particularly to the elderly poor. We are not about to walk away from them. When you come to choices, I have had to choose between staying in the Foreign Relations hearing with Secretary Vance and Secretary Brown or coming to hear you. I wanted you to be absolutely certain you understood how important we feel your presence is here. I know I speak on behalf of Senator Heinz and Senator Lawton Chiles when I say we appreciate your testimony very much.

Thank you, Mr. Chairman.

Senator CHILES. Thank you very much.

I want to thank our panel very much. Reverend, we do have a time problem?

Reverend HILLS. Just a couple sentences apropos of what Senator Heinz has just said. One of the topics of a workshop that attracted a great deal of attention at the Statewide Senior Action Council's annual meeting was on the warning of hypothermia and its effect on the elderly.

Senator CHILES. Thank you very much. We appreciate very much your appearance and your testimony. You have been very helpful to the committee.

Reverend HILLS. Thank you.

Senator CHILES. Our concluding witnesses will be David S. Mundel, Deputy Assistant Director, and William Hoagland, Food Stamp Specialist, Human Resources and Community Development Division, Congressional Budget Office.

I want to thank you both for waiting through the panel. We had some transportation problems. I apologize.

STATEMENT OF DAVID S. MUNDEL, DEPUTY ASSISTANT DIRECTOR, ACCOMPANIED BY WILLIAM HOAGLAND, FOOD STAMP SPECIALIST, HUMAN RESOURCES AND COMMUNITY DEVELOPMENT DIVISION, CONGRESSIONAL BUDGET OFFICE

Mr. MUNDEL. I want to thank you, Mr. Chairman, for the opportunity to come before you today to talk about the food stamp program and the elderly. Actually, our testimony is a good summary for what has been heard both from the Department of Agriculture witnesses and from the members of the last panel. I think often when we look only at statistics we lose sight of the real people and real problems involved.

Senator CHILES. That is another reason that I thought it would be helpful if we put the panel in between the Agriculture Department statistics and the statistics that you have. We might lose our audience by putting them to sleep if we stayed with the numbers. You really have to listen to see how these numbers translate into human affairs.

Mr. MUNDEL. I thank you for that opportunity.

Let me, because of the press of time, briefly summarize the testimony and ask that it be submitted in full into the record.

Senator CHILES. Your statement, in full, will be entered into the record¹ and I can assure you that our staff will be studying it as we deal with the problem.

Mr. MUNDEL. Thank you. The food stamp program is a major program providing substantial subsidies to low-income households. It is particularly important to low-income households during this period of rapidly rising food prices and particularly to low-income elderly households on fixed income, either fixed through retirement or fixed through welfare benefits.

The written statement covers three subjects that I will briefly summarize.

First, I will review the cost estimates of this program, and in addition to those cost estimates, I will summarize the actions of the two Budget Committees this past week with regard to their markup of the first concurrent resolution for fiscal year 1980.

Second, I will deal briefly—in statistical terms—with the changes in the food stamp program that were adopted in 1977, paying particular attention to the impact of these changes on elderly households.

Third, I will review a couple of the proposals that are currently being considered in both the House and Senate for revision of the food stamp program and briefly discuss their impact on the elderly.

¹ See page 53.

With regard to the fiscal 1980 budget estimates, those estimates will depend largely on both the recently implemented changes by the Department of Agriculture and on the level of food prices over the next 18 months. Beginning in January 1979, the Department of Agriculture has implemented the change in the new law which eliminated the requirement that eligible households purchase their food stamps. We have seen, since December a rapid growth in the number of recipients from about 16.1 million recipients in December of 1978 to almost 19 million recipients in February of 1979. Between March and July of this year, the more restrictive provisions of the 1977 law will be implemented.

Under the more restrictive income eligibility requirements, approximately 700,000 to 1 million current participants in the program will become ineligible and about 30 percent of those that remain eligible will receive reduced benefits. These are not numbers of only elderly households. These are numbers of all current recipients. We should see a stabilization of the amount of food stamp expenditures and in the number of participants over the next few months, compared to the quick growth rates experienced in January and February.

All of these estimates, of course, are highly uncertain. The program is going through a major transition period and coupled with rapidly changing economic conditions, there is a lot of uncertainty when we look forward to fiscal year 1980. Currently, we estimate that the program will cost about \$7.4 billion in 1980. This amount is higher than the administration's estimate, higher largely because of our estimate of a higher rate of unemployment and a generally less optimistic economic scenario.

In arriving at its budget resolution mark this past week, the House Budget Committee estimated that the program would cost about \$7 billion, \$400 million less than our current policy estimate. This estimate is based largely on the committee's own more optimistic economic assumptions. Both the CBO estimate and the House Budget Committee include \$152 million savings in fiscal year 1980 through quality control improvement, removal of fraud and abuse—the same estimate as the administration projected in their budget document.

The Senate Budget Committee, in adopting the first resolution last Monday evening, estimated that the program would cost about \$7.2 billion. This estimate is based on the CBO economic assumptions and therefore the Senate Budget Committee has assumed more than \$152 million in savings, actually a savings of approximately \$400 million through improved quality control and program management.

What will be the impact of the recently implemented program changes, especially as they relate to the elderly population? First, it is important to realize the objectives which were in the mind of the Congress as it amended the program in 1977. Basically, there were four major objectives.

First and foremost was to target benefits on the most needy families. This was achieved by modifying income standards, setting net income eligibility standards at the poverty threshold, eliminating categorical eligibility provisions, establishing special provisions for students and modifying the work registration requirements.

A second objective was to simplify program administration and eligibility determination. This was accomplished by establishing a standard benefit reduction rate of 30 percent for all households and by replacing a number of itemized deductions in the program with a uniform standard deduction for all households.

The third major objective was to improve program accessibility. This was to be achieved primarily through the provision that eliminated the household's purchase requirement, but it also was achieved through expanded outreach activities, improved application procedures and expedited certification and issuance procedures.

The fourth and final goal was to achieve these major modifications for targeting, simplification and improved accessibility while experiencing a modest increase in the cost of the program.

The net impact of the Food Stamp Act of 1977 on the elderly households as a group is quite uncertain and complex. Some provisions will increase benefits for the elderly as a group while others will decrease their benefits. For example, some aged elderly who formerly would have received benefits under the old law will lose, some in part because they become ineligible, some because they become eligible for a lower subsidy. On the other hand, elderly who formerly could not or did not participate in the program will benefit from increased program accessibility and therefore increased program participation.

Before going through these impacts in detail, I think it is important to realize two problems with our statistics. First, both the Agriculture Department and ourselves rely on 1976 data to do these detailed analyses. We don't have more recent surveys of program participation. This is a limitation.

Second, as was noted in earlier testimony, we have a different definition of the elderly population. All of our estimates contained in the testimony are based on an assumption that an elderly household is a household with any member who is 65 years or older. The Agriculture Department has a more narrow definition in which only one or two person households with an individual over 65 or an SSI recipient is counted.

With regard to the changes enacted in 1977, the elimination of the purchase requirement will increase program accessibility for the elderly as well as other households. The provision that allows SSI recipients to apply for the program, a procedure not yet implemented, and be interviewed at social security offices will also improve the condition of the elderly.

The provision that sets the net income eligibility at the poverty threshold so as to improve targeting will not adversely affect one- and two-person households, many of whom are elderly households. On the other side of the ledger, the 1977 act should result in a reduction of benefits for some elderly households that participated under the old law. We estimate that approximately 2 percent of the elderly households, approximately 21,000 that participated under the old law, will become ineligible.

The average food stamp benefit of those elderly households who remain eligible will be reduced by 6.4 percent or about \$2.50 a month on average, \$30 a year on an annual basis. I don't think I

have to remind you that these are averages, some elderly households will suffer significantly greater reduction.

These averages not only vary among elderly, they vary significantly across the regions of the country. While 1.3 percent of the households in the Mountain Plains region will be made and eligible, in the Mid-Atlantic region approximately 10 percent of the elderly households will become ineligible.

Probably the one overriding provision of the new law that will cause decreased benefits to the elderly was the adoption of the 30 percent tax rate on income. Under the old law, small households primarily faced tax rates that ranged from between 18 to 25 percent. Tax rates for larger households were nearer to the new law's 30 percent figure. The objective of simplifying benefit determination through a standard 30 percent tax rate tends to hurt smaller, more often elderly households more than larger, more often nonelderly households.

With regard to the proposals that are currently being discussed in this committee and others, we have done some analysis of two which I think would be of interest to you and your colleagues. First, a procedure for increasing the standard deduction for the elderly household alone and second an analysis of some proposals to change the excess shelter cost deduction.

Senator CHILES. On increasing the standard deduction for the elderly household, is it true that the cost would be approximately \$30 million for each \$5 increase in the deduction?

Mr. MUNDEL. Our estimates, as you can see by Table 2¹ of our prepared statement, that for a \$10 increase in the standard deduction we found increases of about \$50 million, so on the order of half of that—approximately \$25 million—could probably be expected with a \$5 increase in the standard deduction.

Senator CHILES. Could you generally speculate for each \$10 increase in the standard deduction that you get an average coupon increase of approximately \$3 for a one- or two-person household?

Mr. MUNDEL. Our estimates are that if the standard deduction were changed by \$10 the average monthly benefit received by an elderly household would increase by about \$2.50.

Senator CHILES. It looks like we would have real problems in increasing the standard deduction to get any benefits, especially to see those benefits skewed to the elderly. Go on to the shelter deduction if you would. I think your table really demonstrates that.

Mr. MUNDEL. With regard to the shelter deduction we have outlined a couple of alternatives. One would be to eliminate the excess shelter cost deduction. Under this provision currently households are allowed to deduct shelter costs that exceed 50 percent of their net income. Elimination of this provision would result in savings of about \$650 million in fiscal 1980. About 50,000 households would become ineligible and average household benefits would decline by about 9 percent.

If, on the other hand, the shelter deduction were modified so as to become more general, for example, allowing households to deduct shelter costs in excess of 30 percent rather than the current 50 percent of their net income, that would bring the law back to the practice that existed before the 1977 modification. Food stamp

¹ See page 56.

benefits would increase by about 6 percent. Total costs would increase by about \$385 million. Unfortunately, we have not yet had time to fully estimate the effects of these proposals on the elderly; we are currently trying to do that.

Senator CHILES. We would like to have that information. If you could show us that the estimates are totally eliminated for elderly households and if you would also, if you could, break down the cost of the program by each \$10 increment above \$80.

Mr. MUNDEL. In the shelter deduction?

Senator CHILES. Yes.

Mr. MUNDEL. We will try to do that.

Senator CHILES. Then if you would run that at the 30 percent and the 50 percent so we can have that cut. I think that would be helpful to us.

Mr. MUNDEL. We will do those estimates and submit them for the record.

[The prepared statement of Mr. Mundel follows:]

PREPARED STATEMENT OF DAVID S. MUNDEL

INTRODUCTION

The food stamp program is the major Federal program that subsidizes the food budgets of low-income households. At a time of rapidly rising food prices, this program has taken on increased importance for low-income households, especially for the elderly who often live on fixed incomes.

This morning, my testimony will cover three issues that are central to this committee's deliberations about the food stamp program:

- First, the Congressional Budget Office's (CBO) latest cost projections for the food stamp program and a summary of the actions taken by the two Budget Committees during the markup of the first concurrent budget resolution for fiscal year 1980.
- Second, the changes in the food stamp program adopted by the Congress in 1977 and the impact of these changes on the elderly.
- Third, an overview of the costs and distributions of benefits of several food stamp proposals that are being considered by this and other committees.

FISCAL YEAR 1980 PROGRAM COSTS

The fiscal year 1980 costs of the food stamp program will depend on recently implemented changes in the program and the level of food prices. In January 1979, the Department of Agriculture began to implement the provisions of the new Food Stamp Act of 1977. Because the provisions that eliminate the requirement that households' purchase their food stamps were implemented before those provisions that reduce eligibility, the program has experienced a rapid increase in participation. Preliminary estimates show participation increasing from 16.1 million persons in December 1978 to 17.8 million in January 1979 and 18.9 million in February 1979. Between March and July, households will be certified under the new income eligibility requirements and the growth in participation should decline. Under the new stricter requirements, approximately 700,000 to 1 million of the current participants should become ineligible and about 30 percent of the remaining eligibles should receive reduced benefits.

Because of this ongoing major program transition, all program cost and participation estimates are very uncertain. Proposals to amend the Food Stamp Act of 1977 entail implementing further changes on top of those that are yet to be fully implemented. Therefore an even greater degree of uncertainty surrounds estimates of the effect of these changes.

CBO estimates that the food stamp program will cost \$7.4 billion in fiscal year 1980. This estimate assumes that the current authorization ceiling of \$6.2 billion is eliminated and that the administration's projected \$152 million savings from quality control and monthly income reporting are realized. The administration's fiscal year 1980 budget estimates that the program will cost \$6.9 billion, a figure which the administration has informally suggested is subject to major revisions. The major differences between the CBO estimate and the administration's estimate result from the less optimistic economic assumptions used by CBO. For fiscal year 1980, the

CBO predicts an average unemployment rate of 6.8 percent, nearly 0.6 percentage point higher than the administration's forecast.

In the first budget resolution for fiscal year 1980 approved by the House Budget Committee, the food stamp program is estimated to cost approximately \$7 billion. This estimate is based on the committee's own economic assumptions, \$152 million in quality control savings, and the elimination of the authorization ceiling. The Senate Budget Committee resolution that was adopted Monday night includes \$7.2 billion for the food stamp program. Since the Senate Budget Committee adopted the CBO economic assumptions as the basis for its resolution, the Senate Budget Committee's figure implies nearly \$400 million in savings through quality control and improved program management.

The actions of the Budget Committees clearly indicate a desire on the part of the Congress to reduce program costs through improved management and benefit determination procedures. Such savings may be hard to achieve during a period of major program change.

THE FOOD STAMP ACT OF 1977—IMPACT ON ELDERLY

The Food Stamp Act of 1977 was intended to achieve four major objectives. The first and foremost was to target benefits on the most needy families. This was achieved by modifying income standards, setting net income eligibility standards at the poverty threshold, eliminating the categorical eligibility provisions, establishing special provisions for students, and modifying the work registration requirements.

A second objective was to simplify program administration and eligibility determination. This was accomplished by establishing a standard benefit reduction rate of 30 percent for all households and by replacing a number of itemized deductions in the program with a uniform standard deduction for all households. This goal, one could argue, was compromised slightly when special deductions for earnings, child-care, and shelter costs were added at the end of the legislative debate.

The third major objective was to improve program accessibility. This was achieved primarily through the provision that eliminated the household's purchase requirement, but it also was achieved through expanded outreach activities, improved application procedures, and expedited certification and issuance procedures. The final goal was to achieve these major modifications through a modest increase in program costs.

THE IMPACT OF THE FOOD STAMP ACT ON ELDERLY HOUSEHOLDS

Some of the provisions of the new law will increase food stamp benefits to elderly households as a group while others will decrease benefits for the elderly. The elimination of the purchase requirement will increase program accessibility for elderly as well as other households. At the time of the 1977 act's passage, CBO estimated that 1.5 million new persons (approximately 500,000 new households) would begin to participate as a result of this provision. While it is impossible to determine precisely how many of the new participants will be elderly households, CBO's simulations, based on 1976 data, suggest that under the new law approximately 18 percent of all participating households will have an elderly member (defined as 65 years of age or over) and that between 90,000 and 100,000 of the new food stamp households will contain an elderly person. This would more than offset the number of households with elderly persons made ineligible under the other provisions of the law.

The act also improves program accessibility by allowing SSI recipients to apply for the program and be interviewed at social security offices, by permitting elderly household members to waive the requirement of face-to-face certification interviews, by requiring food stamps offices to accept applications filed the first day an applicant appears at the office, and by permitting States to implement mail issuance of stamps. While these provisions benefit all eligible households, they are particularly beneficial to the elderly who are often hampered by transportation problems.

The provision that sets the net income eligibility standard at the poverty threshold so as to improve the targeting of benefits will not adversely affect one- and two-person households, many of which contain elderly persons. Under the old law, net income eligibility was already established at the poverty threshold for one- and two-person households. Similarly, the establishment of a standard deduction will not hurt elderly households on average. The average itemized deduction for elderly households under the old law was \$43 per month, less than the \$65 standard adopted in the 1977 act. Those elderly households with itemized deductions higher than the new standard deduction will have reduced benefits but they tend to be from higher income groups, the groups for which the Congress had explicitly attempted to reduce benefits.

On the other side of the ledger, the 1977 act should result in a reduction of benefits for some elderly households that participated under the old law. Approximately 2 percent of the elderly households—about 21,000 households—that participated under the old law will be made ineligible. (However, 4 percent of nonelderly households will also be made ineligible under the new law.) The average food stamp benefit of those elderly households that remain eligible will be reduced by nearly 6.4 percent, which is about \$2.50 on a monthly basis or \$30 on an annual basis (in 1976 dollars). (Nonelderly households that remain eligible will receive a slight increase in their food stamp benefits compared to the old law.)

These aggregate figures vary significantly across the regions of the country (see table 1). While 1.3 percent of the elderly households in the Southeast region will be made ineligible under the new law, approximately 10.1 percent of the elderly in the New England region will be made ineligible. Similarly, while only 1.6 percent of the elderly households in the New England region will experience a gain of over \$5 per month, over 17 percent in the Southeast region will.

TABLE 1.—PERCENT OF ELDERLY HOUSEHOLDS LOSING OR GAINING FOOD STAMP BENEFITS OR BECOMING INELIGIBLE UNDER THE FOOD STAMP ACT OF 1977 BY REGION

Monthly gain or loss	Elderly households still eligible							Total
	New England	Mid-Atlantic	Southeast	Midwest	Southwest	Mountain Plains	West	
\$50 or more loss	1.5	0.3	0.1	0.5	0.	0.3	0.	0.2
\$30 to \$49 loss	3.5	.8	1.8	1.0	1.8	2.2	5.4	1.6
\$16 to \$29 loss	9.7	4.2	7.5	4.9	5.1	2.6	13.6	5.8
\$5 to \$15 loss	41.3	22.8	20.3	22.9	20.9	18.8	16.2	21.7
\$4 loss to \$4 gain	42.3	63.5	53.0	61.0	57.6	66.7	56.8	58.5
\$5 to \$15 gain	1.6	7.6	16.5	8.7	13.9	9.5	8.1	11.4
\$16 to \$29 gain	0	0	.6	.4	.6	0	0	.5
\$30 to \$49 gain	0	0	.3	.6	0	0	0	.2
\$50 or more gain	0	.1	0	0	0	0	0	0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Elderly households made ineligible	10.1	1.7	1.3	1.8	2.2	1.8	3.9	2.0

Probably the one overriding provision of the new law causing decreased benefits to the elderly is the higher average tax rate applied to their income in determining their level of food stamp benefits. Under the old law, small households faced a tax rate (purchase requirement) that ranged between 18 and 25 percent of their net income; tax rates for larger households were nearer to the new law's 30 percent figure. Thus the objective of simplifying benefit determination through a standard 30 percent tax rate tends to hurt smaller, often elderly, households more than larger, nonelderly households.

The provisions that eliminated categorical eligibility for SSI and AFDC recipients, which were designed to improve targeting and program equity, also probably have a greater impact on the elderly than the nonelderly. In a relative sense, elderly households have probably also experienced some adverse effect as a result of the new law's asset tests. The new law raised the asset limit for nonelderly from \$1,500 to \$1,750 but maintained the \$3,000 limit for households that contained a member over age 60.

ALTERNATIVE FOOD STAMP PROPOSAL TO ASSIST THE ELDERLY

Among the possible modifications in the food stamp program that would effect the elderly are:

- Increasing the standard deduction for the elderly, and
- Eliminating the excess shelter cost deduction.

The four objectives of improved targeting, simplified administration, expanded accessibility, and limited costs that were instrumental in formulating the 1977 act, can serve as a guide for the evaluation of amendments now being offered to the 1977 law.

INCREASING STANDARD DEDUCTION FOR THE ELDERLY

The chairman's letter of March 20 to the Director of CBO asked for an analysis of the cost and distributional impact of increasing the monthly standard deduction for the elderly by \$10, \$20, and \$30 above the current monthly standard deduction of \$65. CBO predicts that the current standard would remain at \$65 this July, but would increase to \$70 in January 1980, and to \$75 in July 1981. For fiscal year 1980 then, the standard deduction under current law would average \$70 a month.

Increasing the standard deduction for elderly households by \$10 above the current law level would increase benefit costs by between \$46 and \$49 million in fiscal year 1980 (see table 2). Elderly household benefits would increase about 7 percent. The higher standard deduction would tend to increase benefits for elderly households with incomes above half the poverty line more than for those with lower incomes. While benefits would increase about 2.5 percent for elderly households with incomes below half the poverty line, the benefits of elderly households with incomes above the poverty line would increase about 10 percent. Only about 2,500 additional elderly households would become eligible for food stamps as a result of increasing the standard deduction by \$10. This represents a minuscule increase in the approximately 1 million elderly households receiving food stamps under the new law. Increasing the standard deduction for the elderly by \$20 or \$30 would roughly double or triple the effects of the \$10 increase.

TABLE 2.—IMPACT OF ALTERNATIVE ELDERLY STANDARD DEDUCTION ALLOWANCES, FISCAL YEAR 1980

Alternative	Benefit costs (in millions of dollars)	Change in benefits by poverty status (in percent)			Change in households eligible	Change in average elderly household benefits (in percent)
		Below 50 percent of poverty	50 percent of poverty to poverty	Greater than poverty ¹		
Standard plus \$10:						
Elderly 1 ²	49	2.5	9.7	10.2	2,450	6.9
Elderly 2	46	2.2	9.2	9.4	2,238	6.6
Standard plus \$20:						
Elderly 1	100	5.1	20.4	24.5	4,600	15.0
Elderly 2	95	4.3	19.5	22.8	4,479	14.1
Standard plus \$30:						
Elderly 1	155	7.5	31.7	41.9	8,012	23.3
Elderly 2	146	6.4	30.2	38.8	7,553	21.9

¹ Poverty ratio calculated on the basis of postmoney transfers, pre-tax income.

² Elderly 1 refers to a household containing any person over the age of 65. Elderly 2 refers to a household headed by a person over the age of 65.

In general, defining an elderly household as one in which at least one member is 65 years of age or older compared to a household that is headed by a person over 65 years of age does not significantly alter the cost estimates. The more expansive definition (one in which any member was 65 years of age or older) results in slight increases in costs and the number of eligible households.

SHELTER DEDUCTION

A second option would be to eliminate the new law's excess shelter cost deduction. Under this provision, households are allowed to deduct shelter costs that exceed 50 percent of their net income when calculating their food stamp benefits. Elimination of this provision would result in program savings of approximately \$650 million in fiscal year 1980. Approximately 50,000 households would be made ineligible if this provision were eliminated. Average household benefits would decline by approximately 8.5 percent.

If the shelter deduction was modified so as to allow households to deduct shelter costs in excess of 30 percent of their net income (the practice under the pre-1977 law), food stamp costs would increase by nearly \$385 million. Average household benefits would rise by 6 percent. Unfortunately, it was not possible to estimate the effects of these proposals on the elderly.

Judged against the four objectives listed above, these alternative proposals would probably:

- Shift the distribution of program benefits toward food stamp households with incomes above 50 percent of poverty
- Slightly complicate the administration of the program by requiring additional verification of family status.
- Increase the accessibility to the program for elderly households, and
- Increase program costs.

As pointed out earlier, the first budget resolution targets for fiscal year 1980 anticipate program savings of between \$200 and \$400 million through quality control provisions.

In closing, let me observe that at times it seems as if we are trying to make the food stamp program address all of our pressing social needs under the banner of meeting households' food needs. The program should not be overburdened with innumerable provisions to subsidize indirectly the energy, shelter, and medical costs of low-income households. While we should not minimize these problems, we should ask whether the food stamp program is the most efficient tool for addressing these broader human needs.

Senator CHILES. It is my understanding that H.R. 2663 would eliminate the shelter deduction ceiling and add a medical deduction for elderly households and has a cost figure of \$25 to \$40 million. Have you run a cost estimate on that provision yet?

Mr. HOAGLAND. Our current estimate of Congressman Stack's bill—H.R. 2663—is approximately \$24 million for fiscal year 1980.

Senator CHILES. Do you have estimates on what the cost would be of simply adding a medical deduction for the elderly household?

Mr. HOAGLAND. We have been trying for the last day and a half to get that estimate. We are still in the process.¹

Senator CHILES. Good. I think we need that and I think we need that in increments above the \$65 standard deduction. In other words, if we decided to put on an increment for the—

Mr. MUNDEL. Add on a special medical deduction and not take it out of the standard deduction?

Senator CHILES. Right.

Mr. MUNDEL. We will do those estimates both in terms of changes in the standard deduction, in terms of changes in the shelter deduction and provide estimates of the medical deduction for the record.²

Senator CHILES. We would like to see that also on how that refers to households containing more than one person over age 65, because we think doing something like that really is an inducement to people keeping that elderly person in the household and we would like to see that.

Mr. MUNDEL. We will try to do those estimates.

Senator CHILES. Containing at least a member over 65.

Mr. MUNDEL. All of our estimates are done on the basis of households which have an elderly household member rather than the more limited definition of one- or two-person households.

Senator CHILES. Maybe you better make that at 60 because that is where the food stamp eligibility is.

Mr. HOAGLAND. Mr. Chairman, I don't know that there is a specific definition in the 1977 law as it relates to this. There was a prior work provision that was amended by reducing the age required to work from 65 to 60. I assume implicit in that was a redefinition of elderly.

¹ See appendix, item 1, p. 59.

² See appendix, item 2, p. 60.

Mr. MUNDEL. Let me close by observing that at times in the discussion this morning, and at times in our discussion about food stamp reform in the past, it seems as if we are trying to make the food stamp program address all of our pressing social needs under the banner of meeting household's food needs. I think it is clear to say that some would argue that the program ought not to be overburdened with innumerable provisions to subsidize indirectly the energy, shelter, and medical costs, including low-income elderly. We should not attempt to minimize these problems but we should ask whether the food stamp program or other vehicles that we have at our disposal are the most efficient tools for addressing these broader and very important human needs.

Senator CHILES. I think that is a very good point and I certainly agree with it. The only thing is when you hear somebody like Mrs. Diaz and others who testify that their food stamp allotment is going from \$60 to \$1, or from \$80 to \$30, and nothing really has changed, then you are talking about the food stamp program including the shelter costs.

If we said we are going to give a basic food supplement to everybody, regardless of those other costs, then maybe we could address those things somewhere else. But, if we are going to use all of those as the criteria for whether they are going to get food or not, then I think we get right back to the thicket that we are in. That is, we have already included those items and so we therefore find ourselves trying to adjust around them.

Thank you very much for your testimony today and for the work that CBO does in providing figures to us. We will have a number of bills that we will ask you to analyze so that we can look at it and try to make our recommendations.

We will now recess our hearing. The record will remain open for a period of 30 days.

[Whereupon, at 12:48 p.m., the committee adjourned.]

APPENDIX

MATERIAL RELATING TO HEARING

ITEM 1. LETTER AND ATTACHMENT FROM ALICE M. RIVLIN, DIRECTOR, CONGRESSIONAL BUDGET OFFICE, WASHINGTON, D.C., TO SENATOR LAWTON CHILES, DATED APRIL 12, 1979

DEAR MR. CHAIRMAN: This letter responds to your request of March 20 for information on several alternative food stamp proposals. Additional cost estimates requested in your hearing of April 11, will be forwarded to you once they are completed.

As you are aware, the Department of Agriculture recently began to implement provisions of the new Food Stamp Act of 1977. Currently the Congressional Budget Office estimates the food stamp program will cost \$7.4 billion in fiscal year 1980. This figure assumes that the authorization ceiling is eliminated and that the administration's proposed quality control savings are realized. This and other estimates of the cost of the food stamp program are subject to a considerable degree of uncertainty because of the transition to the new law.

ELDERLY DEDUCTIONS

The 1977 law does not vary the program's standard deduction on the basis of the age of household members. As a result, the 1977 law reduced average monthly benefits going to elderly households by approximately 6.4 percent. This meant a loss of approximately \$2.50 (in 1976 dollars) a month in food stamp benefits for currently participating elderly households.

Table 1 (attached) summarizes the impact on elderly households of changes in the allowable standard deduction. Increasing the standard deduction by \$10 for elderly households would increase benefit costs between \$46 and \$49 million in fiscal year 1980. Elderly household benefits would increase approximately 7 percent. There would be a very slight increase in the number of households made eligible because of the increased deduction—about 2,500 additional households.

Increasing the standard deduction by \$20 for elderly households would increase benefit costs by between \$95 and \$100 million by fiscal year 1980. Elderly household benefits would increase between 14 and 15 percent; again there would be an increase in participation associated with the higher standard deduction—about 4,500 households.

Finally, increasing the standard deduction by \$30 for elderly households would increase benefit costs by between \$146 and \$155 million in fiscal year 1980. Elderly household benefits would increase by between 21 and 23 percent, and the number of additional households made eligible by the higher standard would be about 8,000.

Increasing the standard deduction for elderly households tends to result in proportionately greater increases in benefits for households with incomes above half the poverty line compared to those below this level. As an example, a \$10 increase in the standard deduction results in a 2.5 percent increase in benefits to elderly households below half the poverty line, but nearly a 10 percent increase in benefits for those above this line.

MEDICAL DEDUCTIONS

The 1977 law eliminated the provision that allowed households to deduct monthly medical expenditures that exceeded \$10. If elderly households were allowed to deduct medical expenditures the program's benefit costs would increase by approximately \$63 million in fiscal year 1980. Average elderly household benefits would increase by 8.7 percent. Relative to other income groups, elderly households with incomes above poverty would benefit most from this provision (see Table 1).

ELIMINATION OF SHELTER DEDUCTION

The 1977 law permits households that receive food stamps to deduct excess shelter costs for the purposes of calculating both eligibility and benefits. Shelter costs that exceed 50 percent of the household's income (after the standard deduction and work expenses deduction) may be deducted up to a maximum of \$80 per month.

Eliminating the excess shelter deduction would reduce benefit costs by approximately \$650 million in fiscal year 1980. Approximately 50,000 households would be made ineligible as a result of eliminating this provision, average household benefits would decline by approximately 8.4 percent.

I hope this information will be of assistance to you. If you should have any further questions please let us know.

Sincerely,

ALICE M. RIVLIN.

[Attachment]

TABLE 1.—IMPACT OF ALTERNATIVE ELDERLY STANDARD DEDUCTION ALLOWANCES, FISCAL YEAR 1980

Alternative	Benefit costs (in millions of dollars)	Change in benefits by poverty status (in percent)			Change in households eligible	Change in average elderly household benefits (in percent)
		Below 50 percent of poverty	50 percent of poverty to poverty	Greater than poverty ¹		
Standard plus \$10:						
Elderly 1 ²	49	2.5	9.7	10.2	2,450	6.9
Elderly 2	46	2.2	9.2	9.4	2,328	6.6
Standard plus \$20:						
Elderly 1	100	5.1	20.4	24.5	4,600	15.0
Elderly 2	95	4.3	19.5	22.8	4,479	14.1
Standard plus \$30:						
Elderly 1	155	7.5	31.7	41.9	8,012	23.3
Elderly 1	146	6.4	30.2	38.8	7,553	21.9
Medical deduction: Elderly 1	63	1.4	11.1	36.6	6,419	8.7

¹ Poverty ratio calculated on the basis of postmoney transfers, pretax income.

² Elderly 1 refers to a household containing any person over the age of 65. Elderly 2 refers to a household headed by a person over the age of 65.

ITEM 2. LETTER AND ENCLOSURE FROM ALICE M. RIVLIN, DIRECTOR, CONGRESSIONAL BUDGET OFFICE, WASHINGTON, D.C., TO SENATOR LAWTON CHILES, DATED May 7, 1979

DEAR MR. CHAIRMAN: This letter completes our analysis of alternative food stamp proposals affecting the elderly. Included within this analysis are specific alternatives you requested the CBO analyze during your hearings on April 11, along with all legislative proposals submitted to date. Also, included are Senators Durkin and Chafee's proposals that would impact on all food stamp households regardless of elderly status.

The various legislative proposals affecting the elderly fall into three areas: (1) modifications of the current excess shelter expense deduction, (2) reinstating a medical expense deduction, and (3) a combination of these two—shelter and medical expense deductions. The proposals also vary in their definition of what constitutes an elderly household.

Tables 1 and 2 (attached) summarize these various alternatives, the definition of elderly used in each proposal and the estimated fiscal year 1980 distributional effects and benefit costs.

EXCESS SHELTER DEDUCTION

In general, eliminating the restriction on the maximum amount elderly households can deduct for shelter expenses exceeding half their income (currently \$80 a month) would result in increased benefit costs of between \$13 million and \$16 million in fiscal year 1980. Representative Peyser (H.R. 2126) and Senator Moynihan (S. 632) have proposed this type of modification.

It should be noted that such a proposal increases the number of households eligible for the program by very little, less than 1,000 households. Most of the

increases in food stamp benefits derived from such a proposal, accrue to currently participating households with incomes above the poverty line.

Increasing the maximum shelter deduction by approximately \$10 a month for elderly households (going from \$80 to \$90 a month), increases benefit costs by approximately \$5 million. Marginal increases of \$10 above a \$90 a month excess shelter deduction, result in increased benefit costs of between \$2 million and \$3 million.

Senator Durkin has proposed eliminating the maximum on the excess shelter deduction for all households (S. 807). Such a proposal would increase fiscal year 1980 costs by over \$160 million. Senator Chafee's proposal (S. 872) would lift the maximum shelter deduction to \$110 a month, and like S. 807, would make the higher deduction available to all households. Senator Chafee's proposal would result in increased benefit costs of approximately \$130 million.

MEDICAL EXPENSE DEDUCTIONS

The 1977 law eliminated the provision that allowed households to deduct monthly medical expenditures that exceeded \$10. As indicated in our letter to you of April 12, if elderly households were allowed to deduct all their medical expenditures, benefit costs would increase by about \$63 million.

A bill submitted by Representative Hutto (H.R. 3050) would allow elderly households to deduct medical expenditures so long as they exceeded the new law's standard monthly deduction (currently \$65 a month). This proposal would result in increased benefit costs of approximately \$10 million, and would result in nearly 4,600 additional elderly households becoming eligible for the program.

If Representative Hutto's definition of elderly was dropped from age 62 and older to age 60 and older (as proposed by Representative Daschle) benefit costs would be about \$15 million and over 5,300 elderly households would begin to participate in the program.

Finally your recent proposal (S. 1060) which would allow elderly households to deduct medical expenditures in excess of \$35 a month, would result in increased benefit costs of nearly \$33 million. This proposal would also increase the number of elderly households eligible for the program by nearly 6,900.

This analysis suggests that the cost of inclusion of a medical expense deduction is significantly more sensitive to the age used to define elderly than the age definition used in shelter expense deduction modifications. Also, eligibility for participation in the program is clearly more sensitive to medical deductions contrasted with shelter deductions. Administrative cost, therefore, would probably be higher under a proposal designed to reinstate the medical expense deduction relative to shelter expense deduction modifications.

SHELTER AND MEDICAL DEDUCTIONS

Two proposals have been introduced that combine the provisions outlined above. Representative Stack (H.R. 2663) and Senator Stone (S. 928) each would eliminate any maximum on the excess shelter expense deduction and allow a medical deduction in excess of the monthly standard deduction. Representative Stack's proposal differs from Senator Stone's only in the definition of elderly. Representative Stack defines elderly as any household in which every member is 62 years of age or older or SSI recipients; Senator Stone defines elderly as age 60 or older or all SSI recipients.

It is estimated that H.R. 2663 would cost approximately \$24 million; S. 928 would cost about \$27 million. Between 4,600 and 5,300 elderly households would become eligible under these two proposals. Proportionately, benefits would increase about 15 percent for households with incomes above poverty under these proposals, compared to about 2.5 percent for those below poverty.

I hope this information will be of assistance to you. If you should have any further questions please let us know.

Sincerely,

Alice M. Rivlin.

[Enclosure]

TABLE 1.—ALTERNATIVE FOOD STAMP PROPOSALS MODIFYING EXCESS SHELTER EXPENSE DEDUCTION

Bill/alternative sponsor	Provisions	Eligible population	Fiscal year 1980 benefit costs (in millions of dollars)	Change in benefits for elderly households by poverty status ¹			Change in households eligible	Change in average elderly household benefit (percent)
				Below 50 percent of poverty	50 percent of poverty to poverty	Greater than poverty (percent)		
H.R. 2126 (Peyster) S. 362 (Moynihan)	Eliminates maximum limit on excess shelter expense deduction.	Households where all members are 65 or older, or all are SSI recipients.	\$13.0 .....	.....	+ 1.1	+ 6.4	(²)	+ 1.0
S. 000 (Chiles)	Raise maximum limit on excess shelter expense deduction to \$90.	Households with any member age 60 or older.	5.0 .....	.....	+ .6	+ 2.4	(²)	+ .4
S. 000 (Chiles)	Raise maximum limit on excess shelter expense deduction to \$100.	.....do	8.0 .....	.....	+ 1.0	+ 4.3	(²)	+ .8
S. 000 (Chiles)	Raise maximum limit on excess shelter expense deduction to \$110.	.....do	10.5 .....	.....	+ 1.3	+ 5.8	(²)	+ 1.1
H.R. 000 (Daschle)	Eliminate maximum limit on excess shelter expense deduction.	Households where all members are 60 or older, or all are SSI recipients.	15.7 .....	.....	+ 1.5	+ 7.3	(²)	+ 1.3
S. 807 (Durkin)	do	All households	161.1 .....	.....	+ 1.5	+ 7.3	(²)	+ 1.3
S. 872 (Chafee)	Raise maximum limit on excess shelter deduction to \$110 from \$80 a month.	.....do	127.5 .....	.....	+ 1.5	+ 6.7	(²)	+ 1.3

¹ The definition of elderly used for a consistent comparison of the distribution of benefits was a household with any member 60 years of age or older.

² Number of household less than 1,000.

TABLE 2.—ALTERNATIVE FOOD STAMP PROPOSALS MODIFYING MEDICAL EXPENSE DEDUCTION AND COMBINING MEDICAL AND SHELTER DEDUCTIONS

Bill/alternative sponsor	Provisions	Eligible population	Fiscal year 1980 benefit costs (in millions of dollars)	Change in benefits for elderly households by poverty status ¹			Change in households eligible	Change in average elderly household benefit (percent)
				Below 50 percent of poverty	50 percent of poverty to poverty	Greater than poverty (percent)		
H.R. 3050 (Hutto)	Medical deduction allowed in excess of standard deduction.	Households where all members are 62 or older, or all are SSI recipients.	\$9.9	+1.0	+7.8	+4,600	+0.9	
S. 1060 (Chiles)	Medical deduction for medical expenditures in excess of \$35 a month.	Households with any member age 60 or older.	33.2	+2.4	+14.0	+6,895	+1.7	
H.R. 000 (Daschle)	Reestablish medical deduction in excess of standard deduction.	Households where all members are 60 or older, or all are SSI recipients.	14.9	+1.7	+2.8	+5,312	+1.2	
H.R. 2663 (Stack)	Eliminate maximum limit on excess shelter expense deduction. Medical deduction allowed in excess of standard.	Households where all members are 62 or older, or all are SSI recipients.	24.0	+2.3	+14.8	+4,600	+1.9	
S. 928 (Stone)	Eliminate maximum limit on excess shelter expense deduction. Medical deduction in excess of standard.	Households where all members are 60 or older, or all are SSI recipients.	27.0	+2.6	+16.4	+5,309	+2.1	

¹ The definition of elderly used for a consistent comparison of the distribution of benefits was a household with any member 60 years of age or older.

ITEM 3. LETTER AND ATTACHMENT FROM DAVID B. MONSON, ACTING DIRECTOR, ILLINOIS DEPARTMENT ON AGING, SPRINGFIELD, ILL., TO SENATOR CHARLES H. PERCY, DATED April 10, 1979

DEAR SENATOR PERCY: I am writing to share with you my concern regarding the serious hardship the revised food stamp regulations are inflicting on older persons living on fixed incomes.

During the month of March, this concern was echoed through our aging network in Illinois. The message was clear, "older people need help."

The new rules, which became effective March 1, include two major programmatic changes that impose an intolerable burden upon the elderly poor. The first is the discontinuance of the medical allowance in the determination of adjusted income and secondly, the revised method of calculating the allowable shelter deduction.

Prior to March 1, the monthly net income used in determining eligibility for the food stamp program was arrived at by calculating gross income and then taking allowable deductions. Allowable deductions included medical payments in excess of \$10 per month per household and shelter costs in excess of 30 percent of household income after other deductions including utilities, rent, mortgage payments, interest on one's home and property taxes.

The new regulations replace several deductions, including the medical allowance with a \$65 standard deduction. Excess shelter costs and the cost for dependent's care are replaced with a single deduction which is allowable only if those costs are greater than one-half of the adjusted income. The maximum allowance is \$80.

I am sharing with you three actual cases demonstrating the loss of benefits to older persons under the Food Stamp Act of 1977, which became effective March 1, 1979.

The original purpose of the food stamp program was to alleviate hunger and malnutrition among members of low-income households. While I am certain it was not the congressional intent in passing the new law, the regulations clearly impose hardships on low-income older people. The department has documented instances where food stamp entitlements have been cut in half with implementation of the new regulations. With fuel bills for February remaining to be paid, many older persons must now choose between heating and eating. Older people want to remain in their own homes—in their own communities—as long as possible. With the spiraling inflation the budgets of many older persons are being stretched to the breaking point. Given the magnitude of the problem and the necessity of Federal action I am writing to you at this time and asking that you share this correspondence with the Senate Special Committee on Aging. The department will conduct a statewide survey of our aging network for a more detailed report which we will share with you in the near future.

Sincerely,

DAVID B. MONSON.

Attachment.

COMPARISON OF BENEFITS BETWEEN THE FOOD STAMP ACT OF 1966 AND THE NEW FOOD STAMP ACT OF 1977

Prior to March 1, 1979, Couple A with social security benefits of \$403.10 received a food stamp allotment of \$105 per month. The entitlement to this bonus was possible because of a \$304.54 monthly medical deduction and an excess shelter deduction of \$77.41.

After March 1, 1979, under the new regulations the couple received \$10 per month allotment for a net loss of \$95 in food stamp benefits.

Older person B lives alone with maximum supplemental social security income benefits of \$189.40 per month. Prior to March 1, her food stamp allotment was \$40 per month. It is now \$20 per month. The reason is the charge is the loss of the excess shelter allowance.

Older Couple C have social security benefits totaling \$258 each month. Under the old food stamp regulations they were allowed a medical deduction of \$96.78 and an excess shelter deduction of \$34.81 each month. Their food stamp allotment amounted to \$77 each month.

With implementation of the new regulations the couples food stamp benefits are reduced to \$48 each month.

ITEM 4. LETTER FROM NORMAN V. LOURIE, EXECUTIVE DEPUTY SECRETARY, FEDERAL POLICY AND PROGRAMS, PENNSYLVANIA DEPARTMENT OF PUBLIC WELFARE, HARRISBURG, PA., TO SENATOR JOHN HEINZ, DATED APRIL 19, 1979

DEAR SENATOR HEINZ: I am writing in response to your request for information about the impact of the Food Stamp Act of 1977 on the elderly in Pennsylvania. Unfortunately, there is no data available which clearly shows which of the aging population are being negatively affected, or in what way. The SSI (supplemental security income) population is known, and we can make assumptions for that group.

Out of the Pennsylvania population of 11,663,000, 1,342,000 are over 65. There are 64,442 aged SSI recipients in Pennsylvania and 1,993,212 in the Nation. Not all participate in the food stamp program. The percentage of elderly (over 65) in Pennsylvania on SSI is less than 5 percent. Seventy-eight percent (78 percent) of the SSI recipients are single and live by themselves. In Pennsylvania, a single person on SSI gets \$221.80 per month (\$189.40 Federal, plus \$32.40, State supplement). An SSI couple gets \$284.10 a month, \$48.70 of which is the State supplement. On July 1, 1979, the SSI benefit will be increased by 10 percent bringing the single's amount up to \$240 a month. The single SSI recipient is still eligible for food stamps under the new food stamp rules, and, after taking the full \$80 allowable deduction, will now receive \$35 of food stamps and \$29 of food stamps after July 1, 1979, due to increase in SSI check.

Elimination of the purchase requirement has accounted for an additional 7,000 SSI recipients participating in the food stamp program (December 1978, 37,131; January 1979, 42,171; February 1979, 43,685). We are pleased that food stamps are received by more of our low-income aged.

Elderly Pennsylvanians not eligible for SSI total about 1,277,558. Of this number, 1,063,747 are beneficiaries of social security retirement insurance (OASDI). This leaves some 213,811 aging who do not receive OASDI or SSI payments. It is likely that these have income and assets too high for SSI and food stamp eligibility.

USDA has calculated that, nationally, only 2.3 percent of those over 65 will become ineligible due to new food stamp rules, 13.6 would have their benefits reduced, 5.7 percent would get increased benefits and 78.4 percent would remain in the same status as with the old rules.

Although we know that the average payment to a person in Pennsylvania under social security retirement is \$256.26, we cannot make any statement about the "typical" social security recipient with regard to food stamps.

Benefits vary widely in the social security program, and many of the elderly are assumed to have participated in the food stamp program because of high medical costs which were not covered by medicare or other health plans. There is no available data on food stamp recipients who participate solely as a function of formerly allowable medical deductions. For that group of people, an expansion of benefits covered by medicare would be a possible solution to the difficult situation faced by so many of our aged.

I hope that this information has been of some help to you.¹

Best regards,

NORMAN V. LOURIE.

ITEM 5. LETTER FROM STEPHEN H. FERREE, CLINTON COUNTY (PA.) BOARD OF ASSISTANCE, LOCK HAVEN, PA., TO SENATOR JOHN HEINZ, DATED APRIL 27, 1979

DEAR SIR: I am presently employed by the Clinton County Board of Assistance. I carry the entire NPA food stamp caseload for Clinton County which presently is 283 cases. NPA food stamp cases are nonpublic assistance food stamp cases which are households that have at least one person in the household that is not on public assistance. The large majority of these cases consist of elderly people on social security or other fixed incomes and people who are employed at low paying jobs and receive only medical assistance and food stamps or in most cases food stamps only.

In doing my desk reviews and recertifications under the Food Stamp Act of 1977, I have become very much aware of the "real effects" of the new food stamp regulations. The changes I have observed disturb me very much. I had heard by the news media, etc. that one of the intents of the Food Stamp Act of 1977 was to benefit the elderly. If this was the intent in theory, I can tell you in reality that it has failed miserably.

I have seen practically all of my elderly social security one-person household clients be dropped to \$10 monthly of food stamps, or in some circumstances, not be

¹ Net monthly income for a single person living alone can be as high as \$277 and for two persons, \$356, before the household becomes ineligible for food stamps.

eligible at all. These people average \$200 to \$250 monthly on fixed incomes and were in most cases receiving \$31 to \$19 monthly in food coupons previously. The amount of food stamps would usually have been \$31, \$28, \$25, \$19, \$13 or in some cases higher than \$31 under the old regulations. I found this particularly appalling in view of the fact of spiraling inflation, especially in food and drug prices. When a person is on a fixed income of that small amount, a cut in \$10 to \$20 a month of food stamps is a big cut and really hurts these people's existence.

I mention drug prices because before we could use medical costs as deductions from income for food stamps and these people usually have very high monthly prescription drug costs, but cannot qualify for a medical assistance card to pay for their prescription drugs. Also, on a slight tangent from food stamps, it also disturbs me to see the price these people have to pay for drugs they need to stay alive, i.e. insulin, syringes, needles, oxygen, etc., when I know the actual cost of these are not high, but the pharmaceutical companies keep raising the retail price because they know the people need them, but I cannot give any deductions for the price these people have to pay for drugs to at least enable them to be able to have more food coupons to offset somewhat the money they must pay for drugs to exist.

In all truthfulness, I have not received many complaints from these elderly people, but I believe I have some very valid assumptions why they are not complaining based on my experience, interviews and dealing with these people. The majority of these elderly people are very nice and are very appreciative of any assistance they receive, even if it is only \$10 a month of food stamps. These people are not whiners and do not expect everything handed to them or cry when they don't get something—they just tighten their belts, if there is any left to tighten, a little tighter and budget and cut out things that other people would consider necessities. I believe a lot of these people have also resigned themselves to the reality of the situation, between the facts of the failing of the social security system to provide a barely subsistence level of income for them and the spiraling rate of inflation they believe their government is just abusing them once more and really does not care about them. This amounts to the deprivation of these peoples constitutional and God given right to be able to enjoy what amount of life they have left and their pursuit of life, liberty, and happiness. But, the result is disillusionment with themselves and their government. Instead the people have to be concerned with just surviving—a bare substance existence. These people (or in some of the women's cases—their deceased husbands) worked hard all their lives and paid taxes to their government and were law-abiding, patriotic, hard-working citizens and this is how their government rewards and treats them. They or their spouse paid taxes all their lives—which pay for food stamps—so they should be entitled to more help.

Also, I have found that households with people working at hard, dirty, menial jobs at minimum wages or low pay are also getting their food stamps cut drastically or are no longer eligible at all for any food stamps. Do you realize the income exclusion point—the net income a household may make and be eligible for food stamps has dropped almost \$100 monthly (\$98) for a household of four and \$200 for a household of seven; this again in a time of high inflation and rising food costs. These people are working hard trying to support their families and receiving only food stamps and they get cut or are no longer eligible. These people are upset and do complain but they keep working. But they see that the people on public assistance are getting the breaks. About the only people receiving increases in food stamps under the new regulations are people on public assistance living in public housing. Is this really fair to working and retired people? People complain about people on welfare and I have been hearing more and more people being bitter regarding people on welfare; when other people are working and trying to make a living and getting abused and kicked back down every time they turn around. How long can the government expect these people to continue to try and not just give up and go on welfare. In my opinion, the government is contributing to a welfare state with this policy and the emergency fuel program—which encourages people not to pay their bills—by having to have a shutoff notice or unpaid bills to qualify for the fuel program. If the government is encouraging a welfare state—why not make it completely clear and socialize medicine, etc. and have a socialized government? Or enact programs and incentives for people to work and feel the satisfaction of being a functional member of society and be able to purchase goods and food on their wages and live with some comfort.

Of all my cases I have only had one household which had an extremely high shelter deduction (\$380 a month) which the new program did adversely affect them, which I believe was one intent of the new regulations, which seemed to work as designed.

In summary, I believe although the intent or theory of the new food stamp regulations may have been good, in reality I have seen the actual effects the regulations are having and they are hurting the people they were supposed to help and are hurting the people that need and deserve the help and assistance.

I also believe the people who write the policy should take feedback and constructive criticism from the frontline workers, who actually deal with the people and see the real effects policy has on people and society and see if these suggestions and feedback from the workers and cooperation with writing policy and revising the welfare system cannot result in a more workable, plausible, equitable, and efficient system. Thank you very much for any time and consideration you have given this letter.

Sincerely,

STEPHEN H. FERREE.

