
January 31, 2007

TESTIMONY OF ROBERT GREENSTEIN
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Before the
Committee on Agriculture, Nutrition and Forestry
U.S. Senate

January 31, 2007

Thank you for providing me with the opportunity to testify today. I am Robert Greenstein, executive director of the Center on Budget and Policy Priorities. The Center is a nonprofit institution here in Washington, D.C. that conducts research and analysis both on fiscal policy matters and on an array of policy issues affecting low- and moderate-income families at both the federal and state levels. We receive no government funding.

Before starting the Center in 1981, I served as the Administrator of the Food and Nutrition Service during the Carter Administration, overseeing the domestic food assistance programs there. I was fortunate during that time to work closely with this Committee and the House Agriculture Committee on the Food Stamp Act of 1977, which grew out of bipartisan legislation designed by Senators Dole and McGovern. This year will mark the 30th anniversary of that historic legislation, which the forthcoming 2007 Farm Bill will reauthorize. We look forward to working with this Committee to extend and strengthen this successful program.

The Food Stamp Program's Mission

The Food Stamp Program was created to provide low-income families and individuals with resources to enable them to purchase an adequate diet. The program, which experts regard as the single most important anti-hunger program in America, does an excellent job of providing poor households with basic nutritional support. In 2006, more than 26 million people benefited from food stamps in an average month, including many working-poor families with children, seniors, and people with disabilities.

When the program was first established, hunger and malnutrition were far more severe problems in this country than they are today. For example, the Senate Select Committee on Nutrition and

Human Needs heard testimony from health experts in the late 1960s and early 1970s that substantial numbers of poor children were lagging from six months to two and one-half years behind their peers in physical development. Some of these children were anemic and suffered from a shortage of Vitamin A (of which fortified milk is a primary source) and Vitamin C.

These kinds of problems had diminished greatly by the late 1970s. A team of doctors sponsored by the Field Foundation that examined hunger and malnutrition among poor children in the South, Appalachia, and other poor areas both in 1967 (before the Food Stamp Program was widespread in these areas) and again in the late 1970s (after the program had been instituted nationwide) found dramatic reductions over this ten-year period in nutrition-related problems among children. The doctors attributed much of this reduction to the Food Stamp Program. The physicians' report explained:

Our first and overwhelming impression is that there are far fewer grossly malnourished people in this country today than there were ten years ago. Malnutrition has become a subtler problem. In the Mississippi delta, in the coal fields of Appalachia and in coastal South Carolina — where visitors ten years ago could quickly see large numbers of stunted, apathetic children with swollen stomachs and the dull eyes and poorly healing wounds characteristic of malnutrition — such children are not to be seen in such numbers. Even in areas which did not command national attention ten years ago, many poor people now have food and look better off. This change does not appear to be due to an overall improvement in living standards or to a decrease in joblessness in these areas. In fact, the facts of life for Americans living in poverty remain as dark or darker than they were ten years ago. But in the area of food there is a difference. The Food Stamp Program, the nutritional components of Head Start, school lunch and breakfast programs, and [WIC] have made the difference ... the food stamp program does more to lengthen and strengthen the lives of disadvantaged Americans than any other noncategorical social program.¹

Findings such as this led then-Senator Dole in the 1980s to describe the Food Stamp Program as the most important advance in the nation's social programs since the creation of Social Security.

Today, the program continues to be one of government's soundest investments. Earlier this month, *National Journal* called the Food Stamp Program one of government's top successes, citing its effectiveness in helping victims of the 2005 hurricanes and its low rates of fraud and payment errors. The program is a "case study in effective government aid," *National Journal* concluded.²

Consistent with its original purpose, the program continues to provide a basic nutrition benefit to low-income families, the elderly, and people with disabilities who cannot afford an adequate diet. But today's Food Stamp program is stronger than at any previous point in its history. By taking advantage of modern technology and business practices, the program has become substantially more efficient, more accurate, and more effective. While many low-income Americans continue to struggle and often do not know where their next meal will come from, this would be a very different

¹ Nick Kotz, *Hunger in America: The Federal Response*, (New York: Field Foundation, 1979).

² Carl M. Cannon and Jerry Hagstrom, "10 Successes, 10 Challenges", *National Journal* (January 20, 2007), pp18-39.

country without the Food Stamp Program, which has largely eliminated severe hunger and malnutrition in the United States.

Nevertheless, despite these successes, Census data indicate that in 2005 there were 35 million people who were food insecure, meaning they “had difficulty providing enough food for all their members due to a lack of resources.”³ Given the Food Stamp Program’s proven success, there are a number of ways in which the program should be improved to address this problem. In the latter part of this testimony, I will outline several key improvements that could be included in this year’s Farm Bill.

Supporting Family Economic Security and Nutrition

As the Committee evaluates the Food Stamp Program with an eye toward reauthorization, I would like to take this opportunity to highlight several components of the program that underlie its success. These aspects of the program should be preserved and, where appropriate, augmented.

- *Entitlement structure* — As an entitlement program, food stamps support low-income families and communities during times of economic downturn by automatically responding to increased need. For example, the program expanded nationally as the economy experienced downturns in the early 1990s and again in the early part of this decade. Similarly, the program was able to target benefits directly to households severely affected by Hurricanes Katrina and Wilma. In short, the program responds quickly and effectively to temporary increases in need.
- *National benefit structure* — The food stamp benefit structure is essentially uniform across all states, which ensures that poor families have adequate nutritional resources regardless of the state in which they live. At the same time, states have considerable flexibility in how they administer the program.

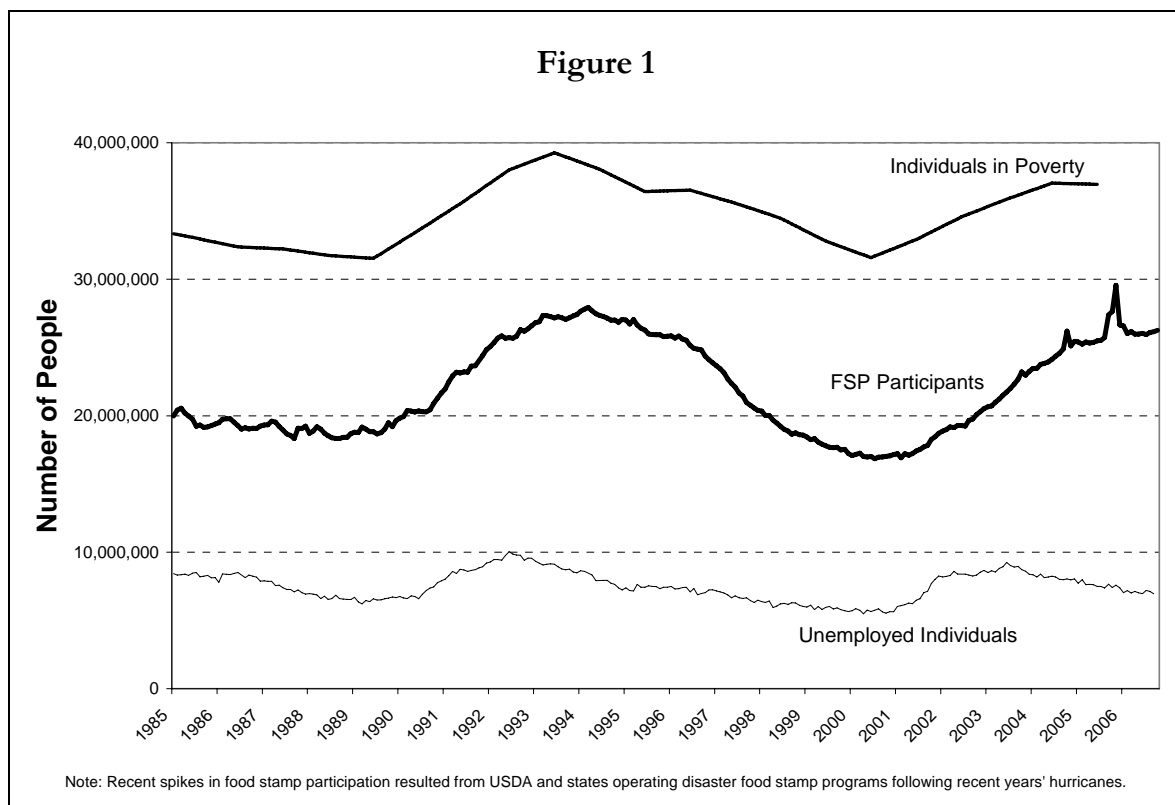
A family’s food stamp benefits depend on its income, and as a result, food stamp benefits tend to be higher in states with below-average wages and cash-assistance benefits. The program narrows disparities between low-income families and communities in poorer states and those in more affluent states. This aspect of the Food Stamp Program is especially important to southern states and rural areas, where wages (as well as cash assistance benefits) tend to be lower.

- *Near universal eligibility for low-income individuals* — Unlike most means-tested benefit programs, which are restricted to particular categories of low-income individuals, the Food Stamp Program is broadly available to low-income households with income below 130 percent of the poverty line (\$1,799 in monthly income, or almost \$21,600 in annual income for a family of three). The program serves families with children, low-wage workers, the elderly, and people with disabilities. Thus, food stamps essentially provide the basic safety net under poor households. Almost 84 percent of households participating in the Food Stamp Program contain a child, an elderly person, or a person with a disability.

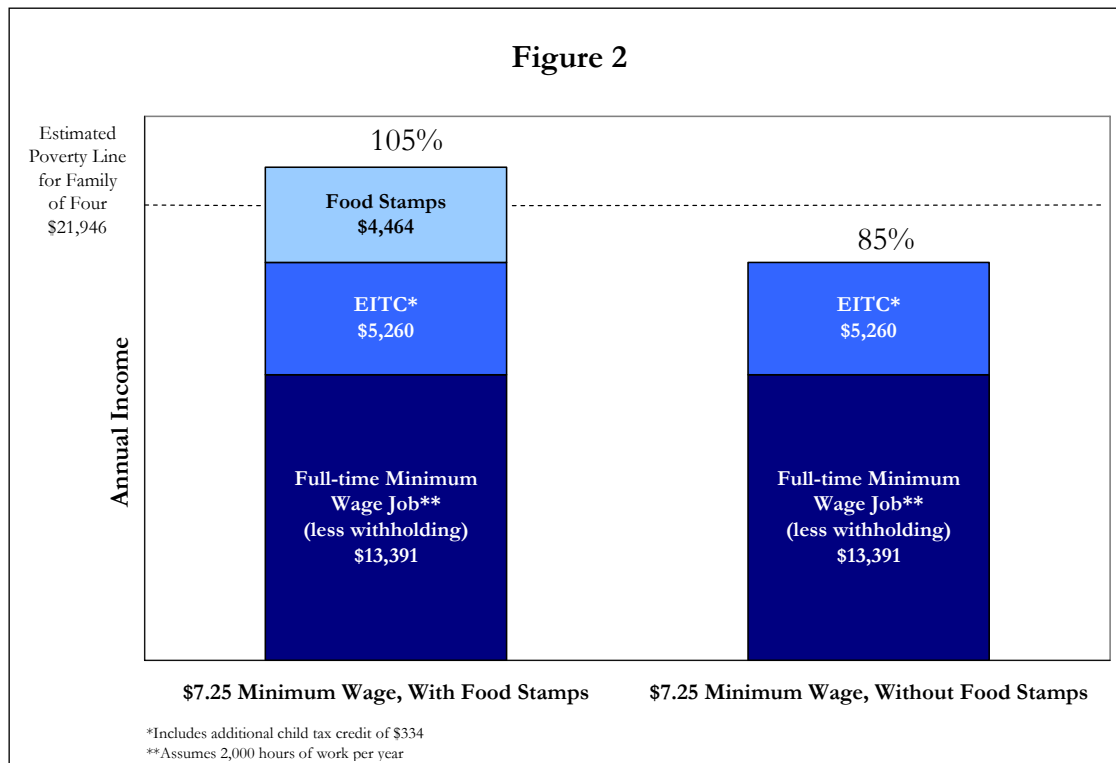
³ "Household Food Security in the United States", USDA, 2005.

- *Food stamps lessen both the extent and the severity of poverty* — An analysis of Census data on family disposable income (including the value of non-cash benefits like food stamps) finds that food stamps lifted 2.2 million Americans above the poverty line in 2004. This group included 1.1 million children and 93,000 seniors. In 2004, food stamps cut the number of children in *extreme* poverty (those living below half the poverty line) by 1.1 million, or 26 percent — more than any other program. The Food Stamp Program provides the typical low-wage working family of three about \$300 a month in help purchasing groceries.
- *Protection against economic risk* — Food stamps protect households and the economy against economic risk. If a parent loses her job or has a job that pays low wages, food stamps can help her protect her children from the risk of going without sufficient food until she is able to improve her circumstances. Food stamps play a critical role in helping families bridge temporary periods of unemployment or a family crisis. USDA research has found that that half of all new entrants to the Food Stamp Program in the 1990s were people who participated for eight months or less and then left the program when their immediate need had passed.

As can be seen in Figure 1, food stamp caseloads rise and fall with changes in poverty. During periods of declining employment and increased poverty, the program assists a larger number of low-income households. Conversely, when the economy experiences robust growth and the number of people who are poor falls, food stamps caseloads decline as well.



As a result, food stamps provide a measure of countercyclical protection for both the national and local economies. Because of its prompt, automatic response to need, food stamps help maintain overall demand for food during slow economic periods. In fact, USDA has found



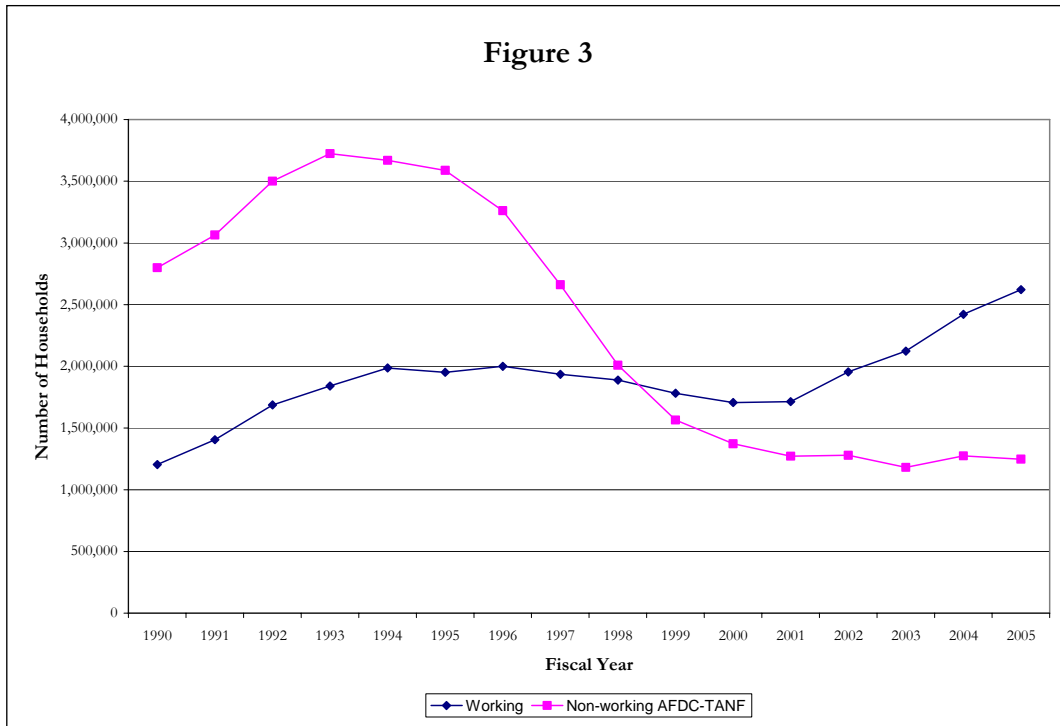
that every \$5 billion of Food Stamp Program expenditures triggers \$9.2 billion in total economic activity.⁴ The Food Stamp Program is the second most important anti-recessionary program we have; only unemployment insurance has a greater countercyclical impact.

- *Support for work* — Even after the anticipated increase in the minimum wage takes effect, food stamps will be essential to ensuring that a family supported by a full-time, year-round worker does not have to raise its children in poverty. As Figure 2 shows, even after the proposed minimum-wage increase would take full effect in 2009, without food stamps a family of four headed by a full-time, minimum-wage worker would fall more than \$3,000 short of the poverty line on an annual basis. (This calculation takes the family’s EITC and Child Tax Credit into account.) Such a family would fall even farther short on a monthly basis because families typically receive the EITC and Child Tax Credits annually at tax time rather than on a monthly basis.

This is especially important because of the striking growth in recent years in the share of food stamp households that rely primarily on income from work rather than welfare, as shown in Figure 3. Currently, twice as many food stamp households work as rely solely on welfare benefits.

It should also be noted that the food stamp benefit formula contains an important work incentive. For every additional dollar a food stamp recipient earns, her or his food stamp benefits decline by only 24 to 36 cents. Families that receive food stamps thus have a strong incentive to work longer hours or to search for better-paying employment. Most other programs reduce benefits by a larger amount when earnings rise.

⁴ “Effects of Changes in Food Stamp Expenditures Across the U.S. Economy”, Kenneth Hanson and Elise Golan, Economic Research Service at USDA, August 2002



- *Benefits targeted to those most in need* — The Food Stamp Program is designed to target benefits on those least able to afford an adequate diet. It not only evaluates a household’s income level but also determines the cost of essential household expenses (such as rent and child care) before determining benefits. This is because a family that spends two-thirds of its income on rent and utilities will have less money to buy food than a family that has the same income but lives in public housing. While the targeting of benefits adds some complexity to the program, it focuses assistance more effectively on those in greatest need.
- *Food stamp benefits may only be used for food* — By providing benefits in the form of a food voucher (which is now delivered by debit card or electronic benefit transfer), food stamps respond directly to families’ food needs and support the farm economy. Two research studies published in 1980 found substantial increases both in food sales in low-income counties and in nutrient availability among the low-income population after the Food Stamp Program was established and expanded nationwide.⁵ Subsequent studies have consistently found that participation in the program significantly increases household food expenditures and thus the nutrients that are available to low-income households.⁶

⁵ See Francis J. Cronin, Nutrient Levels and Food Used by Households, 1977 and 1965, (Family Economics Review, spring 1980), and William T. Boehm, Paul E. Nelson, And Kathryn A. Longen, Progress toward Eliminating Hunger in America, Economics, Statistics, and Cooperatives Service, U.S. Department of Agriculture, 1980.

⁶ See USDA Literature Review, p. 42. It also may be noted that there is little evidence of any connection between the Food Stamp Program and obesity.

How Are Low-Income Families Faring?

As we look ahead to the 2007 Farm Bill, it is important to assess how low-income families and individuals are faring, and how well the Food Stamp Program is responding to the issues they face, in order to determine whether changes are needed to improve its performance.

The Food Stamp Program operates in the context of the overall economy. By a number of measures, the current economic expansion has been disappointing for low-income families. Overall poverty remains relatively high. Real wages for low-wage workers have been largely stagnant, and the expenses that many low-income households face (such as for rent and gasoline) have increased. As a result, low-income households have faced additional strains on their ability to purchase food, and food insecurity has remained high despite low unemployment.

- *Poverty remains high* — During the current economic recovery, the number and percentage of Americans living in poverty has remained high. In 2005, the most recent year for which Census data on income and poverty are available, 37 million people were poor, an increase of 17 percent since 2000. The number of Americans living in deep poverty — with family incomes below *half* of the poverty line — rose even more sharply, by 26 percent from 2000 to 2005. The year 2005 marked the first time since the Census Bureau began collecting poverty data that poverty remained higher in the fourth year of an economic recovery than in the year when the recession hit bottom and the recovery began.

Census data also show that the amount by which the average poor person fell below the poverty line in 2005 (\$3,236) — as well as the share of the poor who fall below *half* of the poverty line (43 percent) — were at the highest such levels recorded since those data started being collected in 1975.

- *Incomes are stagnant for low-wage workers* — Despite the recent growth in overall national income, the recovery that began in 2001 has not increased real earnings at the lower end of the income scale. In 2006, wages at the bottom of the wage scale (measured as the wages earned by workers at the tenth percentile of the wage distribution) were below 2001 levels, after adjusting for inflation. The Census Bureau's annual income and poverty report last year found that in 2005, median income for non-elderly, working-age households declined for the fifth consecutive year and was \$2,000 (or 3.7 percent) lower that year than in the recession year of 2001.
- *Families' expenses are continuing to rise* — The food stamp benefits structure assumes that participating households will spend a share of their non-food stamp income on food. However, other necessities can crowd out food purchases, and the costs of some of these necessities have been on the rise in recent years:
 - Shelter. Low-income households face high and increasing costs for housing and utilities. In 2005, 62 percent of poor households paid more than 50 percent of their income for housing. The number of poor households paying more than 50 percent of their income for housing costs increased by 1.6 million (24 percent) between 2001 and 2005.

- Health care. In most states, children with income low enough to qualify for food stamps are eligible for health coverage from Medicaid or the State Children's Health Insurance Program (SCHIP). Similarly, many elderly and disabled individuals on the Food Stamp Program will receive health insurance through Medicaid or Medicare. However, many families, seniors, and people with disabilities face significant out-of-pocket costs for health care, either because they do not have coverage or because of the cost-sharing imposed by their employer-based health plan. This is a particular problem for working-poor parents. In the typical state, working-poor parents become ineligible for Medicaid once their income reaches *two-thirds* of the poverty line. Since health care costs have risen at a much faster rate than incomes, health care is consuming an increasing share of some low-income households' resources.
- Child care. Child care is a major expense for many working families. Yet only a minority of low-income working families receive child care assistance, so many parents must fend for themselves when finding and paying for care for their children while they work. Census data show that child care consumes an average of 25 percent of the income of poor working families that pay for care for a child. The cost of child care and nursery school has grown at twice the rate of inflation over the last decade.
- *Food insecurity remains high* — According to USDA, some 35 million Americans — more than one in ten adults, and one in six children — lived in households that were “food insecure” in 2005, meaning they sometimes had difficulty affording food. The number of individuals facing food insecurity has increased by more than 4 million since 1999. This is likely a result of the eroding value of the food stamp benefit (discussed below) and low-income individuals and families not being able to pay all of their rising non-food bills on a regular basis and still afford an adequate diet.

Food Stamp Program Strengthened in 2002, But Challenges Remain

When Congress was developing the food stamp provisions of the 2002 Farm Bill, Congress heard a strong consensus from stakeholders across the spectrum — including state officials, USDA, nonprofit advocacy groups, charities, and low-income families — about the types of changes and investments that were needed to strengthen the Food Stamp Program. They identified three broad areas needing improvement:

- *Program participation* — Both Members of Congress across party lines and stakeholders were troubled that the program was serving fewer and fewer eligible families, particularly working-poor families with children. Lack of state flexibility and burdensome paperwork requirements necessitated by the food stamp quality control (QC) system were identified as major causes of the problem.
- *Benefit adequacy* — The purchasing power of food stamp benefits had eroded in the wake of across-the-board benefit cuts enacted as part of the 1996 welfare law.
- *Eligibility restrictions* — Also as a result of the 1996 law, certain groups of needy low-income individuals, including many legal immigrants and very poor adults, were no longer eligible for food stamps and were experiencing hardship as a result.

On a bipartisan basis and under the leadership of Senators Harkin and Lugar and Congressmen Combest and Stenholm, Congress responded to these concerns in the 2002 Farm Bill. As a result, notable progress has been made in all three areas. Significant challenges nonetheless remain in each area.

Program Participation: Making Food Stamps More Accessible to Eligible Families

Food stamp participation by eligible households, especially households with children, declined significantly in the 1990s. According to USDA, participation rates among eligible individuals fell from about 75 percent in 1994 to about 60 percent in 2000; among children, participation fell from some 90 percent of those eligible to 72 percent during that period.

A primary reason for the participation decline, according to policymakers, was the burdensome procedural requirements imposed by states, partly because of various federal requirements and partly as a result of the food stamp quality control (QC) penalty system. Many of these requirements fell disproportionately on working families, which states viewed as more likely to add to the state's error rate because their incomes were more likely to fluctuate than the incomes of non-working families. This posed a particular problem because working-poor families' schedules can make it especially difficult for them to make frequent visits to the welfare office to respond to repeated requests for additional paperwork.

The 2002 Farm Bill gave states numerous options to streamline paperwork requirements and deliver benefits more effectively to eligible households, especially working families and those who have recently worked their way off welfare. States have overwhelmingly embraced the new options as ways to reduce administrative burdens on both food stamp participants and state agencies. For example:

- some 40 states have coordinated their food stamp definitions of income and resources with the definition they use for TANF cash assistance or family Medicaid coverage;
- almost 20 states have opted to provide five months of transitional food stamps to families that leave welfare, making it easier for such families to move from welfare to work successfully;
- more than 45 states have adopted the option to provide food stamp benefits for six-month intervals with reduced paperwork requirements; and
- more than 40 states have simplified their food stamp "standard utility allowance" to reduce the amount of paperwork required from participants.

In addition, Congress included a major reform of the food stamp performance measurement or quality control system. The QC rules were reconfigured to penalize states with persistently high errors rather than every state with an above-average error rate. In addition, performance awards were expanded to reward states with high or improved participation rates and customer service, in addition to high payment accuracy.

The combination of new state flexibility and a reformed QC system has contributed to improved participation. Between 2003 and 2004 (the most recent years for which data are available), USDA

estimates that food stamp participation rose from 56 percent to 61 percent. Participation rose both among eligible working families (from 47 percent to 51 percent) and among eligible children (from 74 percent to 82 percent). It is likely that participation rates have continued to increase since 2004.

Even more impressive, payment accuracy has improved dramatically even as participation rates have increased. In 2000, the most recent year for which error rates were available when Congress was considering the 2002 farm bill, the combined food stamp error rate — i.e., the sum of the percentage of benefits issued to ineligible households, the percentage of benefits *over*issued to eligible households, and the percentage *under*issued to eligible households — was almost 9 percent. It has fallen every year since then, to 5.84 percent in 2005. In 2000, 15 states (including some of the largest states) had combined error rates over 10 percent; in 2005, *none* did. Conversely, in 2000, 13 states had error rates below 6 percent (a level that at the time entitled states to enhanced administrative funding); by 2005, fully 32 states did.

Moreover, in 2005, fewer than 2 percent of benefits were issued to households that were not eligible for food stamps, which means that more than 98 percent of the benefits issued went to households that were fully qualified. In addition, the percentage of benefits that either were issued to ineligible households or overissued to eligible households that received too many benefits was 4.5 percent. (This figure is lower than the 5.84 percent total error rate cited above because that figure also includes underpayments — that is, benefits that *should* have been issued but were not.)

However, despite the impressive progress of the last few years in improving program participation among certain populations, the Food Stamp Program still is missing a large share of eligible households. In particular:

- Only about 50 percent of eligible low-income working families participate in the program. This means 9 million people in working families are missing out on food assistance that could help them make ends meet and provide a nutritionally adequate diet for their children.
- Fewer than 30 percent of eligible low-income seniors participates in the program. Some of these individuals and couples would qualify for relatively low benefits because they receive Social Security and/or SSI income. But most eligible food stamp elderly households either have sufficiently low income or qualify for food stamp deductions (based on their medical and shelter expenses), with the result that they would qualify for about \$70 or more per person per month in food stamp benefits. That could help them obtain more nutritionally adequate diets.

Benefit Adequacy: Keeping Up With the Rising Cost of Living

Food stamp benefits average only about one dollar per person per meal (to be precise, the figure is \$1.05), and each year the purchasing power of most households' food stamp benefits continues to erode. This is a legacy of certain provisions of the 1996 welfare law, which CBO estimated at the time would cut food stamps by \$28 billion over the first six years, in part as a result of across-the-board reductions in the maximum food stamp benefit and the standard deduction. In 2008, food stamp benefits for a typical working family will be almost \$450 a year lower than they would have been without the cuts in the 1996 law. By 2017 the annual average benefit reduction from those provisions will reach almost \$650 for a working family.

The 2002 Farm Bill made a significant investment (\$1.5 billion over ten years) in addressing benefit adequacy by improving the standard deduction to adjust it for inflation and respond to the needs of larger households. But due to cost constraints, the enacted version of the 2002 Farm Bill did not go as far as the Administration and the Senate had proposed. For households of three or fewer people — a group that makes up nearly 80 percent of food stamp households — the standard deduction is scheduled to remain frozen at its current level of \$134 until 2014 for three-person households, and until 2025 for two-person households. Until then, the real value of these households' food stamp benefit will continue to deteriorate, and even after the increase takes effect, the ground lost since 1996 will not be regained. This means that unless the standard deduction is increased, the Food Stamp Program will always remain less effective in helping low-income families purchase a nutritionally adequate diet than it was in 1996.

As discussed above, in addition to the erosion of benefits in recent years, families' ability to purchase food has been strained by the combination of stagnant wages and rising costs in areas such as housing, medical care, child care, and transportation.

Eligibility Restrictions: Restoring Benefits to Some Ineligible Groups

In the years since the 1996 welfare law initially denied food stamp eligibility to virtually all legal immigrant non-citizens (other than refugees in their first five years in the United States and immigrants with ten years of work history), Congress and the last two administrations have acted to restore eligibility to significant numbers of legal immigrants. Most recently, the 2002 Farm Bill restored eligibility to legal immigrant children as well as to legal-immigrant adults who have been in the country for five years. (Undocumented immigrants have never been eligible for food stamps.)

Adult legal immigrants, including working-poor parents raising their children on low wages, are still barred from the Food Stamp Program during their first five years in the country, and additional restrictions apply to certain immigrants who have been here even longer. While these restrictions are intended to target non-citizens, they have a broader impact: 80 percent of children with immigrant parents are themselves U.S. citizens and constitute an important part of the U.S. workforce of future decades. While these children may receive food stamp benefits, their parents' ineligibility for food stamps reduces the total amount of food assistance available to the family and hence affects the children as well. We estimate that between 250,000 and 300,000 low-income legal immigrants in need of food assistance, many of them working-poor parents, would participate in the Food Stamp Program if the immigrant restrictions were eased.

In addition, because of confusion over eligibility rules, many citizen children of immigrant parents do not participate in the Food Stamp Program despite being eligible. USDA has estimated that only 52 percent of eligible citizen children living with non-citizen adults participated in the program in fiscal year 2004, compared to 82 percent of eligible children overall.

Reconnecting these poor citizen children with the Food Stamp Program should be a priority. One-fourth of the nation's poor children have immigrant parents, and a recent Center analysis of Census data found that children in poor families headed by Latino non-citizens face higher rates of hardship than children in any other ethnic or racial group, with over half reporting overcrowded living conditions, difficulties paying for food, and/or lack of needed medical care. Making meaningful progress in reducing child poverty, and thereby enabling the nation to have a more

productive workforce in the future, will require new ways to serve children of immigrants more effectively.

Another group that has experienced hardship as a result of food stamp eligibility restrictions is unemployed childless adults. The 1996 welfare law limited most unemployed people between the ages of 18 and 50 who are not severely disabled or raising minor children to three months of food stamps out of each three-year period. This affected group consists primarily of individuals who are willing to work but have low education and skills, cannot quickly find a job, and have not been offered a workfare slot or training opportunity by their state. The group also includes people who have recently lost their jobs due to a plant closing, company downsizing, overseas outsourcing, or for other reasons and cannot find employment in their area within a few months.

The population affected by the three-month limit is very poor. Many of these individuals have no income, and qualify for no other benefits because they are not raising minor children. The up-to-\$155 in monthly food stamps they can receive if they are able to qualify for food stamps is essentially the only safety net they have. The provision limiting these individuals to three months of food stamp benefits in each three-year period marks the first time in the program's history that very poor individuals have been denied food stamps *not* because they have refused to work but because no work is available to them.

In crafting its welfare reform law in 1995 and 1996, the Senate took a less harsh approach to this provision by passing a rule that would have limited food stamps for these households to six months of assistance out of each 12 month period, but the final welfare law took the much harsher House approach. Again in 2002 the Senate, on a bi-partisan basis, tried to soften time-limit, but the Senate's provision was dropped in conference. As a result, no progress has been made in the last 10 years with respect to restoring benefits to this very poor group.

Finally, the Food Stamp Program's outmoded asset rules have restricted program eligibility for many families with very modest savings. The 2002 Farm Bill made a small improvement by increasing the asset limit for households with disabled members to \$3,000. But the asset limit for all other non-elderly households — which is set at \$2,000 — has not been raised in *more than 20 years*, even though the cost-of-living (as measured by the Consumer Price Index) has increased about 90 percent over this period. The asset limit for elderly households — set at \$3,000 — has not been raised in over two decades either. If the asset limits set in 1986 had simply kept pace with inflation, they would be almost \$3,900 for the non-elderly and almost \$5,700 for the elderly in 2008.

Asset limits as restrictive as those that the Food Stamp Program contains are inconsistent with recent efforts by policymakers of both parties and business leaders to urge Americans to save more. Increasingly, policymakers from both parties are recognizing that the food stamp asset test, as currently designed, discourages saving and blocks a key path to long-term self-sufficiency. Many low-income families rely on food stamps during temporary spells of unemployment or when their earnings are insufficient to make ends meet. If these families have accumulated modest amounts of savings when they are working, the asset limit forces them to choose between liquidating nearly all of their savings to qualify for food stamps or forgoing food stamps at the risk of being unable to put adequate food on the table for themselves and their children during a period of need.

The Food Stamp Program also counts certain retirement savings as assets, which penalizes families that have saved for retirement. In addition, the program's rules are inequitable (and

irrational) in this area, in that certain types of retirement accounts such as defined benefit plans are exempt from the asset limits, while other types of retirement accounts such as IRAs (including IRAs set up when an employee with a 401(k) leaves his or her current employer because the worker loses his or her job during a recession or moves to a better job) are *counted* against the asset limit and thus can disqualify needy households from food stamps. In his budget last year, President Bush wisely proposed excluding *all* retirement accounts from the food stamp asset test in order to “allow workers who experience hard times to receive food stamps without having to draw down retirement savings prematurely [and preserve] their stake in America’s future.”

Food Stamp Improvements Needed

Some improvements in the Food Stamp Program are needed to address continued low participation rates among certain groups (particularly the working poor and the elderly), improve benefit adequacy, and deal with counter-productive eligibility restrictions. The National Anti-Hunger Organizations (NAHO), a group of a dozen major national anti-hunger organizations and charities, recently identified these same three priorities in a joint statement on the 2007 Farm Bill Reauthorization. (I have attached that statement to my testimony.) Below are several proposals to address the problems in these three areas:

- **Improving program participation.** Too many eligible households, especially working-poor families, legal immigrant families, and seniors, are missing out on food stamps. The Committee should look for further opportunities to streamline and simplify program rules in order to ease barriers that are impeding eligible households from participating and to make it easier for state agencies to serve these households.

For example, the 2002 Farm Bill reduced paperwork and office-visit requirements for working-poor households, but due to an oversight, it failed to extend these improvements to households that include elderly or disabled individuals. This ought to be changed. Similarly, the 2002 Farm Bill granted states the option of allowing households to file applications via the Internet, but we should also give states the option of allowing applications by telephone. In addition, Congress should give states more flexibility to coordinate food stamps with other programs that support low-income individuals, such as Medicaid, TANF, and the new Medicare drug benefit’s low-income subsidy. Congress can support state efforts to use technological improvements and business models to leverage improved program access and administrative savings.

In addition to proposals designed to raise the proportion of eligible households that participate, I would like to raise here an important concern about efforts that could *lessen* participation. In recent years, states have played an increasingly large role in shaping the program. The 2001 Agriculture Appropriations Act and the 2002 Farm Bill gave states a wide range of important policy choices, including options to extend the program to low-income families with modest cars, streamline reporting requirements, and provide stable food benefits to families leaving the welfare rolls. States also shape the program with choices about how they deliver food stamp benefits; many states are using newer technologies such as Internet applications and electronic case files.

Some states also are working with private-sector partners to improve outreach and enrollment and to upgrade their information technology systems. This is beneficial and desirable. We do

need to look carefully, however, at a new issue that has arisen in a few areas — the potential involvement of for-profit companies in the application and eligibility determination process. Each contact between an applicant and the person representing the state affects the applicant's likelihood of securing food assistance. The private sector has done a very commendable job of providing program services such as EBT. But in my view, processing applications — in other words, making the decision regarding whether or not a family or individual will be given food assistance or denied — is fundamentally a *public* responsibility.

For example, for the last year the state of Texas has been experimenting with contracting out significant portions of the eligibility determination process to a private vendor. To date, the state's pilot project has been an unqualified failure, representing a significant financial loss to the federal government with respect to administrative costs and serious disruptions in service to low-income households. During the first three months of the pilot (which affects only a small portion of the state), more than 7,000 food stamp applications were seriously delayed, leaving many of these families without any food assistance for a number of months. Furthermore, program integrity has been compromised because of the disruption caused by the pilot. The Committee needs to take a serious look at these projects and USDA's capacity to oversee them in order to assess whether these approaches represent an improvement or a deterioration in service to needy families and individuals.

- **Improving benefit adequacy.** The food stamp benefit of about \$1 per person per meal does not provide low-income households with sufficient assistance to purchase an adequate diet, given the other claims on household income. Congress should explore ways to raise overall benefits or improve the way the program takes household expenses into account through income deductions.

One important step would be to address the problem of benefit erosion. First, Congress could begin indexing the standard deduction, which has been frozen for households of three or fewer people since 1995. In addition, the Committee could fully implement the 2002 Farm Bill's change to the standard deduction by raising it from 8.31 percent of the poverty line to 10 percent of the poverty line for all household sizes. (The standard deduction currently stands at 8.31 percent of the poverty line for a given household size, or \$134, the level at which it was frozen in the mid-1990s, whichever is higher. As mentioned earlier, increases for households of 3 or fewer people will not phase-in for some time.) Nearly 60 percent of the gains from this change would go to low-wage working households with children, and more than 99 percent of the gains would go to households that include children, some of which must double up in housing because of high rents, high heating costs, or low wages and benefit levels. In addition to this improvement, Congress should adjust another element of the benefit structure that has been frozen for over a decade — the cap on the amount households may deduct for child care expenses.

Congress also should raise the \$10 minimum food stamp benefit, which has not been adjusted for inflation or otherwise increased in almost 30 years and now has only about a third of the purchasing power it had in 1979. This change would be of particular benefit to seniors and people with disabilities, who in many cases are eligible only for the food stamp minimum benefit because of other benefits (such as Social Security and SSI) they receive.

- **Making the program available to all poor households.** Many legal immigrants, unemployed childless adults, and poor households that have accumulated modest savings are excluded from the Food Stamp Program even though they can face food insecurity and other hardships to the same degree as other households that are eligible for food stamps. Expanding the program to all low-income households is the most important change the Committee can make to address food insecurity. The Committee should revisit the legal immigrant eligibility restrictions and the restrictions regarding adults who are not raising minor children. I believe the Committee also should raise (or at a minimum, index) the food stamp asset limits and adopt the proposal to exempt all types of retirement saving accounts from the asset limit.

In addition to the opportunities it creates for needed improvements to the Food Stamp Program, the 2007 Farm Bill also will provide Congress an opportunity to assist the nation's food banks, food pantries, and soup kitchens. I would note in this regard that the annual funding level established for the TEFAP program is another program feature that has not been adjusted for inflation, and that as a result, the amount of food provided through the TEFAP program has declined in the past few years.

In conclusion, the Food Stamp Program plays the vital role of providing a nutritional floor under the nation's poor. To enable it to continue fulfilling its mission, and do so more effectively, we need to improve service to the working poor, address the recent declines in participation among certain groups, and restore some of food stamps' lost purchasing power. I urge the Committee to build upon its strong history of addressing hunger in this country by investing in the Food Stamp Program in the 2007 Farm Bill. Again, I thank you for the opportunity to testify before you today.