

FOOD STAMP REFORM AND COMMODITY DISTRIBUTION
ACT

MARCH 14, 1995.—Committed to the Committee of the Whole House on the State
of the Union and ordered to be printed

Mr. ROBERTS, from the Committee on Agriculture,
submitted the following

REPORT

together with

MINORITY AND ADDITIONAL VIEWS

[To accompany H.R. 1135]

[Including cost estimate of the Congressional Budget Office]

The Committee on Agriculture, to whom was referred the bill (H.R. 1135), to improve the Commodity Distribution Programs of the Department of Agriculture, to Reform and Simplify the Food Stamp Program, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Strike out all after the enacting clause and insert in lieu thereof the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the "Food Stamp Reform and Commodity Distribution Act".

TITLE I—COMMODITY DISTRIBUTION PROVISIONS

SEC. 101. SHORT TITLE.

This title may be cited as the "Commodity Distribution Act of 1995".

SEC. 102. AVAILABILITY OF COMMODITIES.

(a) Notwithstanding any other provision of law, the Secretary of Agriculture (hereinafter in this title referred to as the "Secretary") is authorized during fiscal years 1996 through 2000 to purchase a variety of nutritious and useful commodities and

distribute such commodities to the States for distribution in accordance with this title.

(b) In addition to the commodities described in subsection (a), the Secretary may expend funds made available to carry out the section 32 of the Act of August 24, 1935 (7 U.S.C. 612c), which are not expended or needed to carry out such sections, to purchase, process, and distribute commodities of the types customarily purchased under such section to the States for distribution in accordance with this title.

(c) In addition to the commodities described in subsections (a) and (b), agricultural commodities and the products thereof made available under clause (2) of the second sentence of section 32 of the Act of August 24, 1935 (7 U.S.C. 612c), may be made available by the Secretary to the States for distribution in accordance with this title.

(d) In addition to the commodities described in subsections (a), (b), and (c), commodities acquired by the Commodity Credit Corporation that the Secretary determines, in the discretion of the Secretary, are in excess of quantities need to—

- (1) carry out other domestic donation programs;
- (2) meet other domestic obligations;
- (3) meet international market development and food aid commitments; and
- (4) carry out the farm price and income stabilization purposes of the Agricultural Adjustment Act of 1938, the Agricultural Act of 1949, and the Commodity Credit Corporation Charter Act;

shall be made available by the Secretary, without charge or credit for such commodities, to the States for distribution in accordance with this title.

(e) During each fiscal year, the types, varieties, and amounts of commodities to be purchased under this title shall be determined by the Secretary. In purchasing such commodities, except those commodities purchased pursuant to section 110, the Secretary shall, to the extent practicable and appropriate, make purchases based on—

- (1) agricultural market conditions;
- (2) the preferences and needs of States and distributing agencies; and
- (3) the preferences of the recipients.

SEC. 103. STATE, LOCAL AND PRIVATE SUPPLEMENTATION OF COMMODITIES.

(a) The Secretary shall establish procedures under which State and local agencies, recipient agencies, or any other entity or person may supplement the commodities distributed under this title for use by recipient agencies with nutritious and wholesome commodities that such entities or persons donate for distribution, in all or part of the State, in addition to the commodities otherwise made available under this title.

(b) States and eligible recipient agencies may use—

- (1) the funds appropriated for administrative cost under section 109(b);
- (2) equipment, structures, vehicles, and all other facilities involved in the storage, handling, or distribution of commodities made available under this title; and
- (3) the personnel, both paid or volunteer, involved in such storage, handling, or distribution;

to store, handle or distribute commodities donated for use under subsection (a).

(c) States and recipient agencies shall continue, to the maximum extent practical, to use volunteer workers, and commodities and other foodstuffs donated by charitable and other organizations, in the distribution of commodities under this title.

SEC. 104. STATE PLAN.

(a) A State seeking to receive commodities under this title shall submit a plan of operation and administration every four years to the Secretary for approval. The plan may be amended at any time, with the approval of the Secretary.

(b) The State plan, at a minimum, shall—

- (1) designate the State agency responsible for distributing the commodities received under this title;
- (2) set forth a plan of operation and administration to expeditiously distribute commodities under this title in quantities requested to eligible recipient agencies in accordance with section 106 and 110;
- (3) set forth the standards of eligibility for recipient agencies; and
- (4) set forth the standards of eligibility for individual or household recipients of commodities, which at minimum shall require—
 - (i) individuals or households to be comprised of needy persons; and
 - (ii) individual or household members to be residing in the geographic location served by the distributing agency at the time of application for assistance.

(c) The Secretary shall encourage each State receiving commodities under this title to establish a State advisory board consisting of representatives of all inter-

ested entities, both public and private, in the distribution of commodities received under this title in the State.

(d) A State agency receiving commodities under this title may—

(1)(A) enter into cooperative agreements with State agencies of other States to jointly provide commodities received under this title to eligible recipient agencies that serve needy persons in a single geographical area which includes such States; or

(B) transfer commodities received under this title to any such eligible recipient agency in the other State under such agreement; and

(2) advise the Secretary of an agreement entered into under this subsection and the transfer of commodities made pursuant to such agreement.

SEC. 105. ALLOCATION OF COMMODITIES TO STATES.

(a) In each fiscal year, except for those commodities purchased under section 110, the Secretary shall allocate the commodities distributed under this title as follows:

(1) 60 percent of the such total value of commodities shall be allocated in a manner such that the value of commodities allocated to each State bears the same ratio to 60 percent of such total value as the number of persons in households within the State having incomes below the poverty line bears to the total number of persons in households within all States having incomes below such poverty line. Each State shall receive the value of commodities allocated under this paragraph.

(2) 40 percent of such total value of commodities shall be allocated in a manner such that the value of commodities allocated to each State bears the same ratio to 40 percent of such total value as the average monthly number of unemployed persons within the State bears to the average monthly number of unemployed persons within all States during the same fiscal year. Each State shall receive the value of commodities allocated to the State under this paragraph.

(b)(1) The Secretary shall notify each State of the amount of commodities that such State is allotted to receive under subsection(a) or this subsection, if applicable. Each State shall promptly notify the Secretary if such State determines that it will not accept any or all of the commodities made available under such allocation. On such a notification by a State, the Secretary shall reallocate and distribute such commodities as the Secretary deems appropriate and equitable. The Secretary shall further establish procedures to permit States to decline to receive portions of such allocation during each fiscal year as the State determines is appropriate and the Secretary shall reallocate and distribute such allocation as the Secretary deems appropriate and equitable.

(2) In the event of any drought, flood, hurricane, or other natural disaster affecting substantial numbers of persons in a State, county, or parish, the Secretary may request that States unaffected by such a disaster consider assisting affected States by allowing the Secretary to reallocate commodities from such unaffected State to States containing areas adversely affected by the disaster.

(c) Purchases of commodities under this title shall be made by the Secretary at such times and under such conditions as the Secretary determines appropriate within each fiscal year. All commodities so purchased for each such fiscal year shall be delivered at reasonable intervals to States based on the allocations and reallocations made under subsections (a) and (b), and or carry out section 110, not later than December 31 of the following year.

SEC. 106. PRIORITY SYSTEM FOR STATE DISTRIBUTION OF COMMODITIES.

(a) In distributing the commodities allocated under subsections (a) and (b) of section 105, the State agency, under procedures determined by the State agency, shall offer, or otherwise make available, its full allocation of commodities for distribution to emergency feeding organizations.

(b) If the State agency determines that the State will not exhaust the commodities allocated under subsections (a) and (b) of section 105 through distribution to organizations referred to in subsection (a), its remaining allocation of commodities shall be distributed to charitable institutions described in section 113(3) not receiving commodities under subsection (a).

(c) If the State agency determines that the State will not exhaust the commodities allocated under subsections (a) and (b) of section 105 through distribution to organizations referred to in subsections (a) and (b), its remaining allocation of commodities shall be distributed to any eligible recipient agency not receiving commodities under subsections (a) and (b).

SEC. 107. INITIAL PROCESSING COSTS.

The Secretary may use funds of the Commodity Credit Corporation to pay the costs of initial processing and packaging of commodities to be distributed under this

title into forms and in quantities suitable, as determined by the Secretary, for use by the individual households or eligible recipient agencies, as applicable. The Secretary may pay such costs in the form of Corporation-owned commodities equal in value to such costs. The Secretary shall ensure that any such payments in kind will not displace commercial sales of such commodities.

SEC. 108. ASSURANCES; ANTICIPATED USE.

(a) The Secretary shall take such precautions as the Secretary deems necessary to ensure that commodities made available under this title will not displace commercial sales of such commodities or the products thereof. The Secretary shall submit to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate by December 31, 1997, and not less than every two years thereafter, a report as to whether and to what extent such displacements or substitutions are occurring.

(b) The Secretary shall determine that commodities provided under this title shall be purchased and distributed only in quantities that can be consumed without waste. No eligible recipient agency may receive commodities under this title in excess of anticipated use, based on inventory records and controls, or in excess of its ability to accept and store such commodities.

SEC. 109. AUTHORIZATION OF APPROPRIATIONS.

(a) **PURCHASE OF COMMODITIES.**—To carry out this title, there are authorized to be appropriated \$260,000,000 for each of the fiscal years 1996 through 2000 to purchase, process, and distribute commodities to the States in accordance with this title.

(b) **ADMINISTRATIVE FUNDS.**—(1) There are authorized to be appropriated \$40,000,000 for each of the fiscal years 1996 through 2000 for the Secretary to make available to the States for State and local payments for costs associated with the distribution of commodities by eligible recipient agencies under this title, excluding costs associated with the distribution of those commodities distributed under section 110. Funds appropriated under this paragraph for any fiscal year shall be allocated to the States on an advance basis dividing such funds among the States in the same proportions as the commodities distributed under this title for such fiscal year are allocated among the States. If a State agency is unable to use all of the funds so allocated to it, the Secretary shall reallocate such unused funds among the other States in a manner the Secretary deems appropriate and equitable.

(2)(A) A State shall make available in each fiscal year to eligible recipient agencies in the State not less than 40 percent of the funds received by the State under paragraph (1) for such fiscal year, as necessary to pay for, or provide advance payments to cover, the allowable expenses of eligible recipient agencies for distributing commodities to needy persons, but only to the extent such expenses are actually so incurred by such recipient agencies.

(B) As used in this paragraph, the term “allowable expenses” includes—

(i) costs of transporting, storing, handling, repackaging, processing, and distributing commodities incurred after such commodities are received by eligible recipient agencies;

(ii) costs associated with determinations of eligibility, verification, and documentation;

(iii) costs of providing information to persons receiving commodities under this title concerning the appropriate storage and preparation of such commodities; and

(iv) costs of recordkeeping, auditing, and other administrative procedures required for participation in the program under this title.

(C) If a State makes a payment, using State funds, to cover allowable expenses of eligible recipient agencies, the amount of such payment shall be counted toward the amount a State must make available for allowable expenses of recipient agencies under this paragraph.

(3) States to which funds are allocated for a fiscal year under this subsection shall submit financial reports to the Secretary, on a regular basis, as to the use of such funds. No such funds may be used by States or eligible recipient agencies for costs other than those involved in covering the expenses related to the distribution of commodities by eligible recipient agencies.

(4)(A) Except as provided in subparagraph (B), to be eligible to receive funds under this subsection, a State shall provide in cash or in kind (according to procedures approved by the Secretary for certifying these in-kind contributions) from non-Federal sources a contribution equal to the difference between—

(i) the amount of such funds so received; and

(ii) any part of the amount allocated to the State and paid by the State—

(I) to eligible recipient agencies; or

(II) for the allowable expenses of such recipient agencies; for use in carrying out this title.

(B) Funds allocated to a State under this section may, upon State request, be allocated before States satisfy the matching requirement specified in subparagraph (A), based on the estimated contribution required. The Secretary shall periodically reconcile estimated and actual contributions and adjust allocations to the State to correct for overpayments and underpayments.

(C) Any funds distributed for administrative costs under section 110(b) shall not be covered by this paragraph.

(5) States may not charge for commodities made available to eligible recipient agencies, and may not pass on to such recipient agencies the cost of any matching requirements, under this title.

(c) The value of the commodities made available under subsections (c) and (d) of section 102, and the funds of the Commodity Credit Corporation used to pay the costs of initial processing, packaging (including forms suitable for home use), and delivering commodities to the States shall not be charged against appropriations authorized by this section.

SEC. 110. COMMODITY SUPPLEMENTAL FOOD PROGRAM.

(a) From the funds appropriated under section 109(a), \$94,500,000 shall be used for each fiscal year to purchase and distribute commodities to supplemental feeding programs serving women, infants, and children or elderly individuals (hereinafter in this section referred to as the "commodity supplemental food program"), or serving both groups wherever located.

(b) Not more than 20 percent of the funds made available under subsection (a) shall be made available to the States for State and local payments of administrative costs associated with the distribution of commodities by eligible agencies under this section. Administrative costs for the purposes of the commodity supplemental food program shall include, but not be limited to, expenses for information and referral, operation, monitoring, nutrition education, start-up costs, and general administration, including staff, warehouse and transportation personnel, insurance, and administration of the State or local office.

(c)(1) During each fiscal year commodity supplemental food program is in operation, the types, varieties, and amounts of commodities to be purchased under this section shall be determined by the Secretary, but, if the Secretary proposes to make any significant changes in the types, varieties, or amounts from those that were available or were planned at the beginning of the fiscal year the Secretary shall report such changes before implementation to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate.

(2) Notwithstanding any other provision of law, the Commodity Credit Corporation shall, to the extent that the Commodity Credit Corporation inventory levels permit, provide not less than 9,000,000 pounds of cheese and not less than 4,000,000 pounds of nonfat dry milk in each of the fiscal years 1996 through 2000 to the Secretary. The Secretary shall use such amounts of cheese and nonfat dry milk to carry out the commodity supplemental food program before the end of each fiscal year.

(d) The Secretary shall, in each fiscal year, approve applications of additional sites for the program, including sites that serve only elderly persons, in areas in which the program currently does not operate, to the full extent that applications can be approved within the appropriations available for the program for the fiscal year and without reducing actual participation levels (including participation of elderly persons under subsection (e)) in areas in which the program is in effect.

(e) If a local agency that administers the commodity supplemental food program determines that the amount of funds made available to carry out this section exceeds the amount of funds necessary to provide assistance under such program to women, infants, and children, the agency, with the approval of the Secretary, may permit low-income elderly persons (as defined by the Secretary) to participate in and be served by such program.

(f)(1) If it is necessary for the Secretary to pay a significantly higher than expected price for one or more types of commodities purchased under this section, the Secretary shall promptly determine whether the price is likely to cause the number of persons that can be served in the program in a fiscal year to decline.

(2) If the Secretary determines that such a decline would occur, the Secretary shall promptly notify the State agencies charged with operating the program of the decline and shall ensure that a State agency notify all local agencies operating the program in the State of the decline.

(g) Commodities distributed to States pursuant to this section shall not be considered in determining the commodity allocation to each State under section 105 or priority of distribution under section 106.

SEC. 111. COMMODITIES NOT INCOME.

Notwithstanding any other provisions of law, commodities distributed under this title shall not be considered income or resources for purposes of determining recipient eligibility under any Federal, State, or local means-tested program.

SEC. 112. PROHIBITION AGAINST CERTAIN STATE CHARGES.

Whenever a commodity is made available without charge or credit under this title by the Secretary for distribution within the States to eligible recipient agencies, the State may not charge recipient agencies any amount that is in excess of the State's direct costs of storing, and transporting to recipient agencies the commodities minus any amount the Secretary provides the State for the costs of storing and transporting such commodities.

SEC. 113. DEFINITIONS.

As used in this title:

(1) The term "average monthly number of unemployed persons" means the average monthly number of unemployed persons within a State in the most recent fiscal year for which such information is available as determined by the Bureau of Labor Statistics of the Department of Labor.

(2) The term "elderly persons" means individuals 60 years of age or older.

(3) The term "eligible recipient agency" means a public or nonprofit organization that administers—

(A) an institution providing commodities to supplemental feeding programs serving women, infants, and children or serving elderly persons, or serving both groups;

(B) an emergency feeding organization;

(C) a charitable institution (including a hospital and a retirement home, but excluding a penal institution) to the extent that such institution serves needy persons;

(D) a summer camp for children, or a child nutrition program providing food service;

(E) a nutrition project operating under the Older Americans Act of 1965, including such project that operates a congregate nutrition site and a project that provides home-delivered meals; or

(F) a disaster relief program; and that has been designated by the appropriate State agency, or by the Secretary, and approved by the Secretary for participation in the program established under this title.

(4) The term "emergency feeding organization" means a public or nonprofit organization that administers activities and projects (including the activities and projects of a charitable institution, a food bank, a food pantry, a hunger relief center, a soup kitchen, or a similar public or private nonprofit eligible recipient agency) providing nutrition assistance to relieve situations of emergency and distress through the provision of food to needy persons, including low-income and unemployed persons.

(5) The term "food bank" means a public and charitable institution that maintains an established operation involving the provision of food or edible commodities, or the products thereof, to food pantries, soup kitchens, hunger relief centers, or other food or feeding centers that, as an integral part of their normal activities, provide meals or food to feed needy persons on a regular basis.

(6) The term "food pantry" means a public or private nonprofit organization that distributes food to low-income and unemployed households, including food from sources other than the Department of Agriculture, to relieve situations of emergency and distress.

(7) The term "needy persons" means—

(A) individuals who have low incomes or who are unemployed, as determined by the State (in no event shall the income of such individual or household exceed 185% of the poverty line);

(B) households certified as eligible to participate in the food stamp program under the Food Stamp Act of 1977 (7 U.S.C. 2011 *et seq.*); or

(C) individuals or households participating in any other Federal, or Federally assisted, means-tested program.

(8) The term "poverty line" has the same meaning given such term in section 673(2) of the Community Services Block Grant Act (42 U.S.C. 9902(2)).

(9) The term “soup kitchen” means a public and charitable institution that, as integral part of its normal activities, maintains an established feeding operation to provide food to needy homeless persons on a regular basis.

SEC. 114. REGULATIONS.

(a) The Secretary shall issue regulations within 120 days to implement this title.
 (b) In administering this title, the Secretary shall minimize, to the maximum extent practicable, the regulatory, recordkeeping, and paperwork requirements imposed on eligible recipient agencies.

(c) The Secretary shall as early as feasible but not later than the beginning of each fiscal year, publish in the Federal Register a nonbinding estimate of the types and quantities of commodities that the Secretary anticipates are likely to be made available under the commodity distribution program under this title during the fiscal year.

(d) The regulations issued by the Secretary under this section shall include provisions that set standards with respect to liability for commodity losses for the commodities distributed under this title in situations in which there is no evidence of negligence or fraud, and conditions for payment to cover such losses. Such provisions shall take into consideration the special needs and circumstances of eligible recipient agencies.

SEC. 115. FINALITY OF DETERMINATIONS.

Determinations made by the Secretary under this title and the facts constituting the basis for any donation of commodities under this title, or the amount thereof, when officially determined in conformity with the applicable regulations prescribed by the Secretary, shall be final and conclusive and shall not be reviewable by any other officer or agency of the Government.

SEC. 116. SALE OF COMMODITIES PROHIBITED.

Except as otherwise provided in section 107, none of the commodities distributed under this title shall be sold or otherwise disposed of in commercial channels in any form.

SEC. 117. SETTLEMENT AND ADJUSTMENT OF CLAIMS.

(a) The Secretary, or a designee of the Secretary, shall have the authority to—
 (1) determine the amount of, settle, and adjust any claim arising under this title; and
 (2) waive such a claim if the Secretary determines that to do so will serve the purposes of this title.
 (b) Nothing contained in this section shall be construed to diminish the authority of the Attorney General of the United States under section 516 of title 28, United States Code, to conduct litigation on behalf of the United States.

SEC. 118. REPEALERS; AMENDMENTS.

(a) The Emergency Food Assistance Act of 1983 (7 U.S.C. 612c note) is repealed.
 (b) Amendments.—
 (1) The Hunger Prevention Act of 1988 (7 U.S.C. 612c note) is amended—
 (A) by striking section 110;
 (B) by striking section 502.
 (C) by striking subtitle C of title II; and
 (2) The Commodity Distribution Reform Act and WIC Amendments of 1987 (7 U.S.C. 612c note) is amended by striking section 4.
 (3) The Charitable Assistance and Food Bank Act of 1987 (7 U.S.C. 612c note) is amended by striking section 3.
 (4) The Food Security Act of 1985 (7 U.S.C. 612c note) is amended—
 (A) by striking section 1571; and
 (B) in section 1562(d), by striking “section 4 of the Agricultural and Consumer Protection Act of 1973” and inserting “section 110 of the Commodity Distribution Act of 1995”.
 (5) The Agricultural and Consumer Protection Act of 1973 (7 U.S.C. 612c note) is amended—
 (A) in section 4(a), by striking “institutions (including hospitals and facilities caring for needy infants and children), supplemental feeding programs serving women, infants and children or elderly persons, or both, wherever located, disaster areas, summer camps for children” and inserting “disaster areas”;
 (B) in subsection 4(c), by striking “the Emergency Food Assistance Act of 1983” and inserting “the Commodity Distribution Act of 1995”; and
 (C) by striking section 5.

(6) The Food, Agriculture, Conservation, and Trade Act of 1990 (7 U.S.C. 612c note) is amended by striking section 1773(f).

TITLE II—SIMPLIFICATION AND REFORM OF FOOD STAMP PROGRAM

SEC. 201. SHORT TITLE.

This title may be cited as the “Food Stamp Simplification and Reform Act of 1995”.

Subtitle A. Simplified Food Stamp Program and State Assistance for Needy Families

SEC. 202. ESTABLISHMENT OF SIMPLIFIED FOOD STAMP PROGRAM.

Section 4(a) of the Food Stamp Act of 1977 (7 U.S.C. 2013(a)) is amended—

(1) by inserting “(1)” after “(a)”; and

(2) by adding at the end the following new paragraph:

“(2) At the request of the State agency, a State may operate a program, as provided in section 24, within the State or any political subdivisions within the State in which households with one or more members receiving regular cash benefits under the program established by the State under the Temporary Assistance for Needy Families Block Grant be issued food stamp benefits in accordance with the rules and procedures established—

“(A) by the State under the Temporary Assistance for Needy Families Block Grant or this Act; or

“(B) under the food stamp program.”.

SEC. 203. SIMPLIFIED FOOD STAMP PROGRAM.

(a) The Food Stamp Act of 1977 (7 U.S.C. 2011 et seq.) is amended by adding the following new section:

“SEC. 24. SIMPLIFIED FOOD STAMP PROGRAM.

“(a) If a State elects to operate a program under section 4(a)(2) within the State or any political subdivision within the State—

“(1) households in which all members receive regular cash benefits under the program established by the State under the Temporary Assistance for Needy Families Block Grant shall be automatically eligible to participate in the food stamp program;

“(2) benefits under such program shall be determined under the rules and procedures established by the State or political subdivision under the Temporary Assistance for Needy Families Block Grant or under the food stamp program, subject to subsection (g).

“(b) In approving a State plan to carry out a program under section 4(a)(2), the Secretary shall certify that the average level of food stamp benefits per household participating in the program under such section for the State or political subdivision in which such program is in operation is not expected to exceed the average level of food stamp benefits per household that received benefits under the program established by a State under the part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.) in such area in the preceding fiscal year, adjusted for any changes in the thrifty food plan under section 3(o). The Secretary shall compute the permissible average level of food stamp benefits per household each year for each State or political subdivision in which such program is in operation and may require a State to report any information necessary to make such computation.

“(c) When the Secretary determines that the average level of food stamp benefits per household provided by the State or political subdivision under such program has exceeded the permissible average level of food stamp benefits per household for the State or political subdivision in which the program was in operation, the State or political subdivision shall pay to the Treasury of the United States the value of the food stamp benefits in excess of the permissible average level of food stamp benefits per household in the State or political subdivision within 90 days after the notification of such excess payments.

“(d)(1) A household against which a penalty is imposed (including a reduction in benefits or disqualification) for noncompliance with the program established by the State under the Temporary Assistance for Needy Families Block Grant may have the same penalty imposed against it (including a reduction in benefits or disqualification) in the program administered under this section.

“(2) If the penalty for noncompliance with the program established by the State under the Temporary Assistance for Needy Families block grant is a reduction in benefits in such program, the household shall not receive an increased allotment under the program administered under this section as a result of a decrease in the household’s income (as determined by the State under this section) caused by such penalty.

“(3) Any household disqualified from the program administered under this subsection may, after such disqualification period has expired, apply for food stamp benefits under this Act and shall be treated as a new applicant.

“(e) If a State or political subdivision, at its option, operates a program under section 4(a)(2) for households that include any member who does not receive regular cash benefits under the program established by the State under the Temporary Assistance for Needy Families Block Grant, the Secretary shall ensure that the State plan provides that household eligibility shall be determined under this Act, benefits may be determined under the rules and procedures established by the State under the Temporary Assistance for Needy Families Block Grant or this Act, and benefits provided under this section shall be equitably distributed among all household members.

“(f)(1) Under the program operated under section 4(a)(2), the State may elect to provide cash assistance in lieu of allotments to all households that include a member who is employed and whose employment produces for the benefit of the member’s household income that satisfies the requirements of paragraph (2).

“(2) The State, in electing to provide cash assistance under paragraph (1), at a minimum shall require that such earned income is—

“(A) not less than \$350 per month;

“(B) earned from employment provided by a nongovernmental employer, as determined by the State; and

“(C) received from the same employer for a period of employment of not less than 3 consecutive months.

“(3) If a State that makes the election described in paragraph (1) identifies each household that receives cash assistance under this subsection—

“(A) the Secretary shall pay to the State an amount equal to the value of the allotment that such household would be eligible to receive under this section but for the operation of this subsection;

“(B) the State shall provide such amount to the household as cash assistance in lieu of such allotment; and

“(C) for purposes of the food stamp program (other than this section and section 4(a)(2))—

“(i) such cash assistance shall be considered to be an allotment; and

“(ii) such household shall not receive any other food stamp benefit for the period for which such cash assistance is provided.

“(4) A State that makes the election in paragraph (1) shall—

“(A) increase the cash benefits provided to households under this subsection to compensate for any State or local sales tax that may be collected on purchases of food by any household receiving cash benefits under this subsection, unless the Secretary determines on the basis of information provided by the State that the increase is unnecessary on the basis of the limited nature of the items subject to the State and local sales tax; and

“(B) pay the cost of any increase in cash benefits required by paragraph (1).

“(5) After a State operates a program under this subsection for 2 years, the State shall provide to the Secretary a written evaluation of the impact of cash assistance.

“(g) In operating a program under section 4(a)(2), the State or political subdivision may follow the rules and procedures established by the State or political subdivision under the Temporary Assistance for Needy Families Block Grant or under the food stamp program, except that the State or political subdivision shall comply with the requirements of—

“(1) subsections (a) through (g) of section 7 (relating to the issuance and use of coupons);

“(2) section 8(a) (relating to the value of allotments, except that a household’s income may be determined under the program established by the State under the Temporary Assistance for Needy Families Block Grant);

“(3) section 8(b) (allotment not considered income or resources);

“(4) subsections (a), (c), (d), and (n) of section 11 (relating to administration);

“(5) paragraphs (8), (12), (17), (19), (21), (26), and (27) of section 11(e) (relating to the State plan);

“(6) section 11(e)(10) (relating to a fair hearing) or a comparable requirement established by the State under the Temporary Assistance for Needy Families Block Grant; and

- “(7) section 16 (relating to administrative cost-sharing and quality control).”.
- (b) Section 11(e) of the Food Stamp Act of 1977 (7 U.S.C. 2020(e)) is amended—
- (1) in paragraph (24), by striking “and” at the end;
 - (2) in paragraph (25), by striking the period at the end and inserting “; and”;
- and
- (3) by adding at the end the following new paragraph:
 - “(26) the plans of the State agency for operating, at the election of the State, a program under section 4(a)(2), including—
 - “(A) the rules and procedures to be followed by the State to determine food stamp benefits;
 - “(B) a statement specifying whether the program operated by the State under section 4(a)(2) will include households that include members who do not receive regular cash benefits under the program established by the State under the Temporary Assistance for Needy Families Block Grant; and
 - “(C) a description of the method by which the State or political subdivision will carry out a quality control system under section 16(c).”.

SEC. 204. CONFORMING AMENDMENTS.

- (a) Section 8 of the Food Stamp Act of 1977 (7 U.S.C. 2017) is amended by striking subsection (e).
- (b) Section 17 of the Food Stamp Act of 1977 (7 U.S.C. 2026) is amended—
 - (1) by striking subsection (i); and
 - (2) by redesignating subsections (j), (k), and (l) as subsections (i), (j), and (k), respectively.

Subtitle B. Food Stamp Program

SEC. 205. THRIFTY FOOD PLAN.

Section (3)(o) of the Food Stamp Act of 1977 (7 U.S.C. 2012(o)) is amended by striking “(4) through January 1, 1980, adjust the cost of such diet every January 1 and July 1” and all that follows through the end of the subsection, and inserting the following:

“(4) on October 1, 1995, adjust the cost of the thrifty food plan to reflect 103 percent of the cost of the thrifty food plan in June 1994 and increase such amount by 2 percent, rounding the result to the nearest dollar increment for each household size; and (5) on October 1, 1996, and each October 1 thereafter, increase the amount established for the preceding October 1, before such amount was rounded, by 2 percent, rounding the result to the nearest lower dollar increment for each household size.”.

SEC. 206. INCOME DEDUCTIONS AND ENERGY ASSISTANCE.

(a) Section 5(d)(11) of the Food Stamp Act of 1977 (7 U.S.C. 2014(d)(11)) is amended—

- (1) by striking “(A)”; and
- (2) by striking “or (B) under any State or local laws,” and all that follows through “or impracticable to do so.”.

(b) Section 5(e) of the Food Stamp Act of 1977 (7 U.S.C. 2014(e)) is amended to read as follows:

“(e)(1) STANDARD AND EARNED INCOME DEDUCTIONS.—(A) In computing household income, the Secretary shall allow a standard deduction of \$134 a month for each household, except that households in Alaska, Hawaii, Guam, and the Virgin Islands of the United States shall be allowed a standard deduction of \$229, \$189, \$269, and \$118, respectively.

“(B) All households with earned income shall also be allowed an additional deduction of 20 percent of all earned income (other than that excluded by subsection (d) of this section and that earned under section 16(j)), to compensate for taxes, other mandatory deductions from salary, and work expenses, except that such additional deduction shall not be allowed with respect to earned income that a household willfully or fraudulently fails (as proven in a proceeding provided for in section 6(b)) to report in a timely manner.

“(2) DEPENDENT CARE DEDUCTION.—The Secretary shall allow households, a deduction with respect to expenses other than expenses paid on behalf of the household by a third party or amounts made available and excluded for the expenses under subsection (d)(3), the maximum allowable level of which shall be \$200 a month for each dependent child under 2 years of age and \$175 a month for each other dependent, for the actual cost of payments necessary for the care of a dependent when such care enables a household member to accept or continue employment, or training or education which is preparatory for employment.

“(3) EXCESS SHELTER EXPENSE DEDUCTION.—(A) The Secretary shall allow households, other than those households containing an elderly or disabled member, with respect to expenses other than expenses paid on behalf of the household by a third party, an excess shelter expense deduction to the extent that the monthly amount expended by a household for shelter exceeds an amount equal to 50 percent of monthly household income after all other applicable deductions have been allowed.

“(B) Such excess shelter expense deduction shall not exceed \$231 a month in the 48 contiguous States and the District of Columbia, and shall not exceed, in Alaska, Hawaii, Guam, and the Virgin Islands of the United States, \$402, \$330, \$280, and \$171 a month, respectively.

“(C)(i) Notwithstanding section 2605(f) of the Low-Income Home Energy Assistance Act of 1981 (42 U.S.C. 8624(f)), a household may not claim as a shelter expense any payment received, or costs paid on its behalf, under the Low-Income Home Energy Assistance Act of 1981 (42 U.S.C. 8621 et seq.).

“(ii) Notwithstanding section 2605(f) of the Low-Income Home Energy Assistance Act of 1981 (42 U.S.C. 8624(f)), a State agency may use a standard utility allowance as provided under subparagraph (D) for heating and cooling expenses only if the household incurs out-of-pocket heating or cooling expenses in excess of any payment received, or costs paid on its behalf, under the Low-Income Home Energy Assistance Act of 1981 (42 U.S.C. 8621 et seq.).

“(iii) For purposes of the food stamp program, assistance provided under the Low-Income Home Energy Assistance Act of 1981 shall be considered to be prorated over the entire heating or cooling season for which it was provided.

“(iv) At the end of any certification period and up to one additional time during each twelve-month period, a State agency shall allow a household to switch between any standard utility allowance and a deduction based on its actual utility costs.

“(D)(i) In computing the excess shelter expense deduction, a State agency may use a standard utility allowance in accordance with regulations promulgated by the Secretary, except that a State agency may use an allowance which does not fluctuate within a year to reflect seasonal variations.

“(ii) An allowance for a heating or cooling expense may not be used for a household that does not incur a heating or cooling expense, as the case may be, or does incur a heating or cooling expense but is located in a public housing unit which has central utility meters and charges households, with regard to such expense, only for excess utility costs.

“(iii) No such allowance may be used for a household that shares such expense with, and lives with, another individual not participating in the food stamp program, another household participating in the food stamp program, or both, unless the allowance is prorated between the household and the other individual, household, or both.

“(4) HOMELESS SHELTER DEDUCTION.—

“(A) A State shall develop a standard homeless shelter deduction, which shall not exceed \$139 a month, for the expenses that may reasonably be expected to be incurred by households in which all members are homeless but are not receiving free shelter throughout the month. Subject to subparagraph (B), the State shall use such deduction in determining the eligibility and allotments for such households.

“(B) The Secretary may prohibit for the use of the standard homeless shelter deduction for households with extremely low shelter costs.

“(5) ELDERLY AND DISABLED HOUSEHOLDS.—The Secretary shall allow households containing an elderly or disabled member, with respect to expenses other than expenses paid on behalf of the household by a third party—

“(i) an excess medical expense deduction for that portion of the actual cost of allowable medical expenses, incurred by elderly or disabled members, exclusive of special diets, that exceed \$35 a month; and

“(ii) an excess shelter expense deduction to the extent that the monthly amount expended by a household for shelter exceeds an amount equal to 50 percent of monthly household income after all other applicable deductions have been allowed.

“(B) State agencies shall offer eligible households a method of claiming a deduction for recurring medical expenses that are initially verified under the excess medical expense deduction provided for in subparagraph (A), in lieu of submitting information or verification on actual expenses on a monthly basis. The method described in the preceding sentence shall be designed to minimize the administrative burden for eligible elderly and disabled household members choosing to deduct their recurrent medical expenses pursuant to such method, shall rely on reasonable estimates of the member’s expected medical expenses for the certification period (including

changes that can be reasonably anticipated based on available information about the member's medical condition, public or private medical insurance coverage, and the current verified medical expenses incurred by the member), and shall not require further reporting or verification of a change in medical expenses if such a change has been anticipated for the certification period.

“(6) CHILD SUPPORT DEDUCTION.—Before determining the excess shelter expense deduction, the Secretary shall allow all households a deduction for child support payments made by a household member to or for an individual who is not a member of the household if such household member was legally obligated to make such payments, except that the Secretary is authorized to prescribe by regulation the methods, including calculation on a retrospective basis, the State agencies shall use to determine the amount of the deduction for child support payments.”

(c) Section 11(e)(3) of the Food Stamp Act of 1977 (7 U.S.C. 2020(e)(3)) is amended by striking “Under the rules prescribed by the Secretary, a State agency shall develop standard estimates” and all that follows through the end of the paragraph.

SEC. 207. VEHICLE ALLOWANCE.

(Section 5(g)(2) of the Food Stamp Act of 1977 (7 U.S.C. 2014(g)(2)) is amended by striking “a level set by the Secretary, which shall be \$4,500 through August 31, 1994,” and all that follows through the end of the paragraph, and inserting “\$4,550.”

SEC. 208. ELIGIBILITY OF ALIENS.

(a) Section 5 of the Food Stamp Act of 1977 (7 U.S.C. 2014) is amended—

(1) by striking subsection (i); and

(2) by redesignating subsections (j) through (m) as subsections (i) through (l), respectively.

(b) Section 6(f)(2) of the Food Stamp Act of 1977 (7 U.S.C. 2015(f)(2)) is amended—

(1) in subparagraph (B), by inserting the following before the semicolon: “, and such alien has fulfilled the residence requirements and has an application pending for naturalization under the Immigration and Nationality Act, is a veteran (as defined in section 101 of title 38, United States Code) with a discharge characterized as an honorable discharge (or is the spouse or dependent child of such alien), is on active duty (other than active duty for training) in the Armed Forces of the United States (or is the spouse or dependent child of such alien), or is at least 75 years of age and has resided in the United States for at least 5 years”; and

(2) in subparagraph (D), by inserting “, by such alien shall be eligible only for five years after such entry” before the semicolon.

SEC. 209. WORK REQUIREMENTS.

(a) Section 6(d) of the Food Stamp Act of 1977 (42 U.S.C. 2015(5)) is amended—

(1) in paragraph (1)(A)(ii), by striking “an employment and training program under paragraph (4), to the extent required under paragraph (4), including any reasonable employment requirements as are prescribed by the State agency in accordance with paragraph (4)” and inserting “a State job search program”;

(2) in paragraph (2)(A)—

(A) by striking “title IV of the Social Security Act (42 U.S.C. 602)” and inserting “the program established by the State under the Temporary Assistance for Needy Families Block Grant”; and

(B) by striking “that is comparable to a requirement of paragraph (1)”;

and

(3) by amending paragraph (4) to read as follows:

“(4)(A) Except as provided in subparagraphs (B), (C), and (D), an individual shall not be denied initial eligibility but shall be disqualified from the food stamp program if after 90 days from the certification of eligibility of such individual the individual was not employed a minimum of 20 hours per week, or does not participate in a program established under section 20 or a comparable program established by the State or local government.

“(B) Subparagraph (A) shall not apply in the case of an individual who—

“(i) is under eighteen or over fifty years of age;

“(ii) is certified by a physician as physically or mentally unfit for employment;

“(iii) is a parent or other member of a household with responsibility for the care of a dependent;

“(iv) is participating a minimum of 20 hours per week and is in compliance with the requirements of—

“(I) a program under the Job Training Partnership Act (29 U.S.C. 1501 et seq.);

“(II) a program under section 236 of the Trade Act of 1974 (19 U.S.C. 2296); or

“(III) a program of employment or training operated or supervised by an agency of State or local government which meets standards deemed appropriate by the Governor; or

“(v) would otherwise be exempt under subsection (d)(2).

“(C) Upon request of the State, the Secretary may waive the requirements of subparagraph (A) in the case of some or all individuals within all or part of the State if the Secretary makes a determination that such area—

“(i) has an unemployment rate of over 10 percent; or

“(ii) does not have a sufficient number of jobs to provide employment for individuals subject to this paragraph. The Secretary shall report to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate on the basis on which the Secretary made such a decision.

“(D) An individual who has been disqualified from the food stamp program under subparagraph (A) may reestablish eligibility for assistance if such person becomes exempt under subparagraph (B) or by—

“(i) becoming employed for a minimum of 20 hours per week during any consecutive thirty-day period; or

“(ii) participating in a program established under section 20 or a comparable program established by the State or local government.”.

(b) Section 16 of the Food Stamp Act of 1977 (7 U.S.C. 2025) is amended—

(1) by striking subsection (h); and

(2) by redesignating subsections (i) and (j) as subsections (h) and (i), respectively.

(c) Section 17 of the Food Stamp Act of 1977 (7 U.S.C. 2026) as amended by section 204(b), is amended—

(1) by striking subsection (d); and

(2) by redesignating subsections (e) through (k) as subsections (d) through (j), respectively.

(d) Section 20 of the Food Stamp Act of 1977 (7 U.S.C. 2029) is amended to read as follows:

“SEC. 20. (a)(1) The Secretary shall permit a State that applies and submits a plan in compliance with guidelines promulgated by the Secretary to operate a program within the State or any political subdivision within the State, under which persons who are required to work under section 6(d)(4) may accept an offer from the State or political subdivision to perform work on its behalf, or on behalf of a private nonprofit entity designed by the State or political subdivision, in order to continue to qualify for benefits after they have initially been judged eligible.

“(2) The Secretary shall promulgate guidelines pursuant to paragraph (1) which, to the maximum extent practicable, enable a State or political subdivision to design and operate a program that is compatible and consistent with similar programs operated by the State or political subdivision.

“(b) To be approved by the Secretary, a program shall provide that participants work, in return for compensation consisting of the allotment to which the household is entitled under section 8(a), with each hour of such work entitling that household to a portion of its allotment equal in value to 100 percent of the higher of the applicable State minimum wage or the Federal minimum hourly rate under the Fair Labor Standard Standards Act of 1938.

“(c) No State or political subdivision that receives funds provided under this section shall replace any employed worker with an individual who is participating in a program under this section for the purposes of complying with section 6(d)(4). Such an individual may be placed in any position offered by the State or political subdivision that—

“(1) is a new position;

“(2) is a position that became available in the normal course of conducting the business of the State or political subdivision;

“(3) involves performing work that would otherwise be performed on an overtime basis by a worker who is not an individual participating in such program; or

“(4) that is a position which became available by shifting a current employee to an alternate position.

“(d) The Secretary shall allocate among the States or political subdivisions in each fiscal year, from funds appropriated for the fiscal year under section 18(a)(1), the

amount of \$75,000,000 to assist in carrying out the program under this section during the fiscal year.

(e)(1) In making the allocation required under subsection (d), the Secretary shall allocate to each State operating a program under this section that percentage of the total funds allocated under subsection (d) which equals the estimate of the Secretary of the percentage of participants who are required to work under section 6(d)(4) that reside in such State.

(2) The State shall promptly notify the Secretary if such State determines that it will not expend the funds allocated it under paragraph (1) and the Secretary shall reallocate such funds as the Secretary deems appropriate and equitable.

(f) Notwithstanding subsection (d), the Secretary shall ensure that each State operating a program under this section is allocated at least \$50,000 by reducing, to the extent necessary, the funds allocated to those States allocated more than \$50,000.

(g) If, in carrying out such program during such fiscal year, a State or political subdivision incurs costs that exceed the amount allocated to the State agency under subsection (d)—

(1) the Secretary shall pay such State agency an amount equal to 50 percent of such additional costs, subject to the first limitation in paragraph (2); and

(2) the Secretary shall also reimburse each State agency in an amount equal to 50 percent of the total amount of payments made or costs incurred by the State or political subdivision in connection with transportation costs and other expenses reasonably necessary and directly related to participation in a program under this section, except that such total amount shall not exceed an amount representing \$25 per participant per month for costs of transportation and other actual costs and such reimbursement shall not be made out of funds allocated under subsection (d).

(h) The Secretary may suspend or cancel some or all of these payments, or may withdraw approval from a State or political subdivision to operate a program, upon a finding that the State or political subdivision has failed to comply with the requirements of this section.”

(e) Section 7(i)(6) of the Food Stamp Act of 1977 (7 U.S.C. 2015(i)(6)) is amended by striking “section 17(f)” and inserting “17(e)”.

SEC. 210. COMPARABLE TREATMENT OF DISQUALIFIED INDIVIDUALS.

Section 6 of the Food Stamp Act of 1977 (7 U.S.C. 2015) is amended by adding at the end the following new subsection:

(i) An individual who is a member of a household who would otherwise be eligible to participate in the food stamp program under this section and who has been disqualified for noncompliance with program requirements from the program established by the State under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.) shall not be eligible to participate in the food stamp program during the period such disqualification is in effect.”

SEC. 211. ENCOURAGE ELECTRONIC BENEFIT TRANSFER SYSTEMS.

(a) Section 7(i) of the Food Stamp Act of 1977 (7 U.S.C. 2016(i)) is amended—

(1) by amending paragraph (1) to read as follows:

(1)(A) State agencies are encouraged to implement an on-line electronic benefit transfer system in which household benefits determined under section 8(a) or section 24 are issued from and stored in a central data bank and electronically accessed by household members at the point-of-sale.

(B) Subject to paragraph (2), a State is authorized to procure and implement an on-line electronic benefit transfer system under the terms, conditions, and design that the State deems appropriate.

(C) Upon request of a State, the Secretary may waive any provision of this Act prohibiting the effective implementation of an electronic benefit transfer system under this subsection.”

(2) in paragraph (2), by striking “the approval of”; and

(3) in paragraph (3), by striking “the Secretary shall not approve such a system unless—” and inserting “such system shall provide that—”.

(b) The Food Stamp Act of 1977 (7 U.S.C. 2011 et seq.), as amended by section 203(a), is amended by adding at the end the following new section:

“SEC. 25. ENCOURAGEMENT OF ELECTRONIC BENEFIT TRANSFER SYSTEMS.

“(a) Upon fully implementing an electronic benefit transfer system which operates in the entire State, a State may, subject to the provisions of this section, elect to receive a grant for any fiscal year to operate a low-income nutrition assistance program in such fiscal year in lieu of the food stamp program.

“(b)(1) A State that meets the requirements of this section and elects to operate such program, shall receive each fiscal year under this section the sum of—

“(A) (i) the total dollar value of all benefits issued under the food stamp program by the State during fiscal year 1994; or

“(ii) the average per fiscal year of the total dollar value of all benefits issued under the food stamp program by the State during fiscal year 1992 through 1994; and

“(B) the total amount received by the State for administrative costs under section 16(a) for fiscal year 1994 or the average per fiscal year of the total amount received by the State for administrative costs under section 16(a) for fiscal years 1992 through 1994.

“(2) Upon approval by the Secretary of the plan submitted by a State under subsection (c), the Secretary shall pay to the State at such times and in such manner as the Secretary may determine, the amount to which the State is eligible under subsection (b)(1).

“(c) To be eligible to operate a low-income nutrition assistance program under this section, a State shall submit for approval each fiscal year a plan of operation specifying the manner in which such a program will be conducted by the State. Such plan shall—

“(1) certify that the State has implemented a state-wide electronic benefit transfer system in accordance with section 7(i);

“(2) designate a single State agency responsible for the administration of the low-income nutrition assistance program under this section;

“(3) assess the food and nutrition needs of needy persons residing in the State;

“(4) limited the assistance to be provided under this section to the purchase of food;

“(5) describe the person to whom such assistance will be provided;

“(6) assure the Secretary that assistance will be provided to the most needy persons in the State and that applicants for assistance shall have adequate notice and fair hearings comparable to those required under section 11;

“(7) provide that, in the operation of the low-income nutrition assistance program, there shall be no discrimination on the basis of race, sex, religion, national origin, or political beliefs; and

“(8) include other information as may be required by the Secretary.

“(d) Payments made under this section to the State may be expended only in the fiscal year for which such payments are distributed, except that the State may reserve up to 5 percent of the grant received for a fiscal year to provide assistance under this section in the subsequent fiscal year: *Provided*, That such reserved funds may not total more than 20 percent of the total grant received under this section for a fiscal year.

“(e) The State agency shall keep records concerning the operation of the program carried out under this section and shall make such records available to the Secretary and the Comptroller General of the United States.

“(f) If the Secretary finds that there is substantial failure by a State to comply with the requirements of this section, regulations issued pursuant to this section, or the plan approved under subsection (c), then the Secretary shall take one or more of the following actions:

“(1) suspend all or part of such payment authorized by subsection (b)(2) to be made available to such State, until the Secretary determines the State to be in substantial compliance with such requirements;

“(2) withhold all or part of such payments until the Secretary determines that there is no longer failure to comply with such requirements, at which time the withheld payment may be paid; or

“(3) terminate the authority of the State to operate the low-income nutrition assistance program.

“(g)(1) States which receive grants under this section shall provide for—

“(A) a biennial audit, conducted in accordance with the standards of the Comptroller General, of expenditures for the provision of nutrition assistance under this section; and

“(B) not later than 120 days of the end of each fiscal year in which an audit is conducted, provide the Secretary with such audit.

States shall make the report of such audit available for public inspection.

“(2) Not later than 120 days after the end of the fiscal year for which a State receives a grant under this section, such State shall prepare an activities report comparing actual expenditures for such fiscal year for nutrition assistance under this section with the expenditures for such fiscal year predicted in the plan submitted

in accordance with subsection (c). Such State shall make the activities report available for public inspection.

“(h) Whoever knowingly and willfully embezzles, misapplies, steals, or obtains by fraud, false statement, or forgery, any funds, assets, or property provided or financed under this section shall be fined not more than \$10,000 or imprisoned for not more than 5 years, or both.”.

SEC. 212. VALUE OF MINIMUM ALLOTMENT.

Section 8(a) of the Food Stamp Act of 1977 (7 U.S.C. 2017(a)) is amended by striking “, and shall be adjusted on each October 1” and all that follows through the end of such subsection, and inserting a period.

SEC. 213. INITIAL MONTH BENEFIT DETERMINATION.

Section 8(c)(2)(B) of the Food Stamp Act of 1977 (7 U.S.C. 2017(c)(2)(B)) is amended by striking “of more than one month” after “following any period”.

SEC. 214. IMPROVING FOOD STAMP PROGRAM MANAGEMENT.

(a) Section 13(a)(1) of the Food Stamp Act of 1977 (7 U.S.C. 2022(a)(1)) is amended—

(1) in the fifth sentence, by inserting “(after a determination on any request for a waiver for good cause related to the claim has been made by the Secretary)” after “bill for collection”; and

(2) in the sixth sentence, by striking “1 year” and inserting “2 years”.

(b) Section 16(c) of the Food Stamp Act of 1977 (7 U.S.C. 2025(c)) is amended—

(1) in paragraph (1)(C)—

(A) by striking “national performance measure” and inserting “payment error tolerance level”; and

(B) by striking “equal to—” and all that follows through the period at the end and inserting the following:

“equal to its payment error rate less such tolerance level times the total value of allotments issued in such a fiscal year by such State agency. The amount of liability shall not be affected by corrective action under subparagraph (B).”;

(2) in paragraph (3)(A), by striking “120 days” and inserting “60 days (or 90 days at the discretion of the Secretary)”;

(3) in the last sentence of paragraph (6), by inserting “shall be used to establish a payment-error tolerance level. Such tolerance level for any fiscal year will be one percentage point added to the lowest national performance measure ever announced up to and including such fiscal year under this section. The payment-error tolerance level” after “The announced national performance measure”; and

(4) by striking paragraphs (8) and (9)

SEC. 215. WORK SUPPLEMENTATION OR SUPPORT PROGRAM.

(a) Section 11(c) of the Food Stamp Act of 1977 (7 U.S.C. 2020(e)), as amended by section 203(b), is amended—

(1) in paragraph (25), by striking “and”;

(2) in paragraph (26), by striking the period and inserting “; and” at the end;

and

(3) by adding at the end the following new paragraph:

“(27) the plans of the State agency for including eligible food stamp recipients in a work supplementation or support program under section 16(j).”

(b) Section 16 of the Food Stamp Act of 1977 (7 U.S.C. 2025), as amended by section 209(b), is amended by adding at the end the following new subsection:

“(j) WORK SUPPLEMENTATION OR SUPPORT PROGRAM.—(1) A State may elect to use the sums equal to the food stamp benefits that would otherwise be allotted to participants under the food stamp program but for the operation of this subsection for the purposes of providing and subsidizing or supporting jobs under a work supplementation or support program established by the State.

“(2) If a State that makes the election described in paragraph (1) identifies each household that participates in the food stamp program which contains an individual who is participating in such work supplementation or support program—

“(A) the Secretary shall pay to the State an amount equal to the value of the allotment that the household would be eligible to receive but for the operation of this subsection;

“(B) the State shall expend such amount in accordance with its work supplementation or support program in lieu of the allotment that the household would receive but for the operation of this subsection;

“(C) for purposes of—

“(i) sections 5 and 8(a), the amount received under this subsection shall be excluded from household income and resources; and

“(ii) section 8(b), the amount received under this subsection shall be considered as the value of an allotment provided to the household; and

“(D) The household shall not receive an allotment from the State agency for the period during which the member continues to participate in the work supplementation program.

“(3) No person shall be excused by reason of the fact that such State has a work supplementation or support program from any work requirement under section 6(d), except during the periods in which such individual is employed under such work supplementation or support program.

“(4) For purposes of this subsection, the term “work supplementation or support program” shall mean a program in which, as determined by the Secretary, public assistance, including any benefits provided under a program established by the State and the food stamp program, is provided to an employer to be used for hiring a public assistance recipient.”

SEC. 216. OBLIGATIONS AND ALLOTMENTS.

Section 18 of the Food Stamp Act of 1977 (7 U.S.C. 2027) is amended—

(1) in subsection (a)—

(A) in paragraph (1)—

(i) by striking “are authorized to be appropriated such sums as are necessary for each of the fiscal years 1991 through 1995” and inserting the following:

“is provided to be obligated, not in excess of the cost estimate made by the Congressional Budget Office for this Act, as amended by the Food Stamp Simplification and Reform Act of 1995, for the fiscal year ending September 30, 1996, with adjustments for any estimates of total obligations for additional fiscal years made by the Congressional Budget Office to reflect the provisions contained in the Food Stamp Simplification and Reform Act of 1995”;

(ii) by striking “In each monthly report, the Secretary shall also state” and inserting “Also, the Secretary shall file a report every February 15, April 15, and July 15, stating”; and

(iii) by striking “supplemental appropriations” and inserting “additional obligation authority”; and

(B) in paragraph (2), by striking “authorized to be appropriated” and inserting “obligated”;

(2) in subsection (b)—

(A) in the first sentence, by striking “appropriation” and inserting “total obligations limitation provided”; and

(B) in the second sentence, by striking “appropriation” and inserting “obligational amount provided in subsection (a)(1)”;

(3) in subsection (c)—

(A) by inserting “Or under section 24” after “under sections 5(d) and 5(e)”;

(B) by inserting “or under section 24” after “under section 5(c)”;

(C) by striking “and” after “or otherwise disabled”; and

(D) by inserting before the period at the end, and (3) adequate and appropriate recommendations on how to equitably achieve such reductions”; and

(4) in subsection (f), by striking “No funds appropriated” and inserting “None of the funds obligated”.

Subtitle C. Program Integrity

SEC. 301. AUTHORITY TO ESTABLISH AUTHORIZATION PERIODS.

Section 9(a)(1) of the Food Stamp Act of 1977 (7 U.S.C. 2018(a)(1)) is amended by adding at the end the following new sentence:

“The Secretary shall establish specific time periods during which authorization to accept and redeem coupons or redeem benefits through an electronic benefit transfer system under the food stamp program shall be valid.”

SEC. 302. CONDITION PRECEDENT TO APPROVAL OF RETAIL FOOD STORES AND WHOLESALE FOOD CONCERNS.

Section 9(a)(1) of the Food Stamp Act of 1977 (7 U.S.C. 2018(a)(1)), as amended by section 301, is amended by adding at the end the following new sentence:

“No retail food store or wholesale food concern shall be approved for participation in the food stamp program unless an authorized employee of the Department of Ag-

riculture, or an official of the State or local government designated by the Department of Agriculture, wherever possible, has visited such retail food store or wholesale food concern for the purpose of determining whether such retail food store or wholesale concern should be so approved.”.

SEC. 303. WAITING PERIOD FOR RETAIL FOOD STORES AND WHOLESALE FOOD CONCERNS THAT ARE DENIED APPROVAL TO ACCEPT COUPONS.

Section 9(d) of the Food Stamp Act of 1977 (7 U.S.C. 2018(d)) is amended by adding at the end the following new sentence:

“Such retail food store or wholesale food concern shall not submit an application under subsection (a)(1) for six months from the date of receipt of the notice of denial.”.

SEC. 304. DISQUALIFICATION OF RETAIL FOOD STORES AND WHOLESALE FOOD CONCERNS.

Section 12(a) of the Food Stamp Act of 1977 (7 U.S.C. 2021(a)) is amended—

(1) by inserting “(1)” after “(a); and

(2) by inserting the following new paragraph:

“(2) A retail food store or wholesale food concern that is disqualified from participating in the program under section 17 of the Child Nutrition Act of 1966 shall for such period of disqualification also be also be disqualified from participating in the food stamp program.”.

SEC. 305. AUTHORITY TO SUSPEND STORES VIOLATING PROGRAM REQUIREMENTS PENDING ADMINISTRATIVE AND JUDICIAL REVIEW.

Section 14(a) of the Food Stamp Act of 1977 (7 U.S.C. 2023(a)) is amended by adding at the end the following new sentence:

“Notwithstanding any other provision of law, the permanent disqualification of a retail food store or wholesale food concern under section 12(b)(3) shall be effective from the date of receipt of the notice of disqualification.”.

SEC. 306. CRIMINAL FORFEITURE.

Section 15(g) of the Food Stamp Act of 1977 (7 U.S.C. 2024(g)) is amended to read as follows:

“(g) The court, in imposing sentence on a person convicted of an offense in violation of subsection (b) or (c), shall order, in addition to any other sentence imposed pursuant to this subsection, that the person forfeit to the United States all property described in paragraph (2).

“(2) All property, real and personal, used in a transaction or attempted transaction, to commit, or to facilitate the commission of, a violation (other than a misdemeanor) of subsection (b) or (c), or proceeds traceable to a violation of subsection (b) or (c), is subject to forfeiture to the United States.

“(3) No property shall be forfeited under this subsection to the extent of an interest of an owner, by reason of any act or omission established by that owner to have been committed or omitted without the knowledge or consent of that owner.

“(4) The proceeds from any sale of forfeited property and any monies forfeited under this subsection shall be used—

“(A) to reimburse the Department of Justice for the costs incurred by the Department to initiate and complete the forfeiture proceeding that caused the sale that produced such proceeds;

“(B) to reimburse the Department of Agriculture Office of Inspector General for any costs it incurred in the law enforcement effort resulting in the forfeiture;

“(C) to reimburse any Federal or State law enforcement agencies for any costs incurred in the law enforcement effort resulting in the forfeiture; and

“(D) by the Secretary to carry out the approval, reauthorization, and compliance investigations of retail stores under section 9.”.

SEC. 307. EXPANDED DEFINITION OF “COUPON”.

Section 3(d) of the Food Stamp Act of 1977 (7 U.S.C. 2012(d)) is amended by striking “or type of certificate” and inserting “type of certificate, authorization cards, cash or checks issued in lieu of coupons, or access devices, including, but not limited to, electronic benefit transfer cards or personal identification numbers”.

SEC. 308. DOUBLED PENALTIES FOR VIOLATING FOOD STAMP PROGRAM REQUIREMENTS.

Section 6(b)(1) of the Food Stamp Act of 1977 (7 U.S.C. 2015(b)(1)) is amended—

(1) in clause (i), by striking “six months” and inserting “1 year”; and

(2) in clause (ii), by striking “1 year” and inserting “2 years”.

SEC. 309. DISQUALIFICATION OF CONVICTED INDIVIDUALS.

Section 6(b)(1)(iii) of the Food Stamp Act of 1977 (7 U.S.C. 2015(b)(1)(iii)) is amended—

- (1) in subclause (II), by striking “or” at the end;
- (2) in subclause (III), by striking the period at the end and inserting “; or”;
- and
- (3) by adding at the end the following new subclause:
 - (IV) a conviction of an offense under subsection (a) or (b) of section 15 involving items referred to in such subsection having a value of \$500 or more.”.

SEC. 310. CLAIMS COLLECTION.

(a) Section 11(e)(8) of the Food Stamp Act of 1977 (7 U.S.C. 2020(e)(8)) is amended by inserting before the semicolon at the end “or refunds of Federal taxes as authorized pursuant to section 3720A of title 31 of the United States Code”.

(b) Section 13(d) of the Act (7 U.S.C. 2022(d)) is amended—

- (1) by striking “may” and inserting “shall”; and
- (2) by inserting before the period at the end “or refunds of Federal taxes as authorized pursuant to section 3720A of title 31 of the United States Code”.

Subtitle D. Effective Dates and Miscellaneous Provisions

SEC. 401. EFFECTIVE DATES.

(a) Except as provided in subsection (b) and (c), this Act and amendments made by this Act shall take effect on October 1, 1995.

(b) The amendments made by section 208 shall take effect on October 1, 1996.

(c) The amendments made by section 214 shall take effect on October 1, 1994.

SEC. 402. SENSE OF THE CONGRESS.

It is the sense of the Congress that States that operate electronic benefit systems to transfer benefits provided under the Food Stamp Act of 1977 should operate electronic benefit systems that are compatible with each other.

SEC. 403. DEFICIT REDUCTION.

It is the sense of the Committee on Agriculture of the House of Representatives that reductions in outlays resulting from this title shall not be taken into account for purposes of section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985.

BRIEF EXPLANATION

H.R. 1135, the Food Stamp Reform and Commodity Distribution Act of 1995, as amended by the House Committee on Agriculture, is designed to reform and simplify the Food Stamp Program and to improve the Commodity Distribution Programs of the Department of Agriculture, and for other purposes.

Title I, the Commodity Distribution Act—

- (1) consolidates four USDA commodity distribution programs into one consolidated program;
- (2) authorizes \$300,000,000 to purchase, process, store, and distribute commodities to be made available to states for fiscal years 1996 through 2000;
- (3) establishes guidelines for allocation of commodities among states, supplementation of commodities, and eligibility standards.
- (4) requires the Secretary of Agriculture to take precautions to ensure that commodities made available do not displace commercial sales.

Title II, the Food Stamp Simplification and Reform Act—

- (1) allows states to harmonize food stamp program rules with those of the state temporary assistance for needy families (TANF) program for those receiving benefits from both programs;

- (2) provides for an annual 2% increase in food stamp benefits;
- (3) freezes certain income deductions;
- (4) freezes the threshold (\$4550.00) above which the fair market value of vehicles is counted as an asset in determining food stamp eligibility;
- (5) places limits on the eligibility of aliens;
- (6) requires able-bodied individuals between the ages of 18 and 50, with no dependents, to work 20 hours a week in a private sector job or participate in a state program within 90 days of certification of their food stamp eligibility;
- (7) allows states to use food stamps in work supplementation programs where participants have the opportunity to achieve practical work experience;
- (8) provides that the same penalty for individuals failing to comply with the rules of a state TANF program would apply to food stamps;
- (9) encourages states to implement electronic benefit transfer (EBT) systems by providing states with the option, once EBT operates statewide, of a food stamp block grant;
- (10) establishes more strict quality control measures aimed at improving food stamp program management; and
- (11) provides that the amount obligated will not be in excess of the cost estimate of the Congressional Budget Office for the fiscal year ending September 30, 1996, with adjustments for additional fiscal years taking into account the amendments made by this Bill.

PURPOSE AND NEED

COMMODITY DISTRIBUTION PROGRAM

The purpose of H.R. 1135 is to consolidate several commodity distribution programs to provide for greater program efficiency and increase the amount of money authorized for the new consolidated program so that food will continue to be provided to needy families. Commodity distribution programs provide help directly to families at the local level through churches, soup kitchens and food banks. Other community organizations that provide help through the donation of food include battered women's shelters, homeless shelters, food pantries and charitable institutions. The food provided through this program is often matched and exceeded by voluntary donations from private sector sources such as grocery stores, food processors, manufacturers, and farmers.

UADA currently distributes commodities to domestic food programs under a variety of legislative authorities, four of which are consolidated into one program in this Bill thereby establishing one administrative structure. The essential nature of the commodity distribution programs is maintained. Persons and organizations operating food banks, soup kitchens, commodity supplemental food program sites, and other similar operations will continue to receive federal commodities and administrative funds.

The purpose of the consolidated program is to provide wholesome food for needy people and to support agriculture through the donation of federally purchased and donated commodities. This program

will continue to provide a safety net for individuals and families in temporary need due to emergencies or natural disasters or as a supplement to other programs by providing wholesome, nutritious food.

The following programs are consolidated under this Bill:

The Emergency Food Assistance Program (TEFAP)—State and local emergency feeding organizations receive federally donated commodities (some purchased and some surplus commodities) and administrative funding. The amount of commodities varies but all states operate TEFAP. TEFAP was begun in December 1981 under the discretionary authority of the Secretary of Agriculture. Congress authorized the program in 1983 and it is currently authorized through 1995. Fiscal year 1995 appropriations are \$65 million, \$25 million of which is for the purchase of commodities and \$40 million for state and local costs of transporting, storing, and distributing them. Additional commodities are donated by CCC from excess inventories. In fiscal year 1994, \$80 million was appropriated to purchase commodities for TEFAP, down from \$120 million in fiscal year 1993.

The Soup Kitchen and Food Bank Program—This program provides for the purchase and distribution of commodities to soup kitchens and food banks, with priority given to those organizations providing meals for homeless people. It was authorized under 1988 Hunger Prevention Act and reauthorized through 1995 under the 1990 farm bill at \$32 million for 1991 and \$40 million for the subsequent years. Fiscal year 1995 appropriation is \$40 million.

Assistance for summer camps and charitable institutions—The Secretary of Agriculture has the discretion to provide commodities to charitable institutions and summer camps from the surplus holdings of USDA. Surplus commodities are provided when no other outlet is available. The types of organizations receiving commodities are churches, orphanages, correctional institutions, homes for elderly and hospitals. Only non-profit, tax-exempt organizations and correctional facilities that offer rehabilitation services are eligible to participate. Funds are not appropriated for this program. In 1995 approximately \$100 million of commodities are expected to be donated from government commodity holdings. These are either price-support commodities or surplus removal commodities.

Commodity Supplemental Food Program (CSFP)—CSFP began in 1968 as a program for providing commodities for women, infants, and children. In 1981 the program was expanded to serve elderly persons. Foods are purchased directly by USDA and are distributed through state and local agencies. Approximately 400,000 low-income people are provided benefits, half of whom are elderly and half of whom are women, infants and children. This program operates in 20 states with a total of 60 CSFP sites.

Commodity distribution programs serve several purposes. They provide food assistance directly to low-income children, the elderly, the homeless and women and children at nutrition risk. They also help farmers by enabling the federal government to dispose of commodity holdings that might otherwise be wasted or spoiled.

The Committee believes that commodity distribution programs are essential and are the first line of defense so that communities can help families in immediate need without the bureaucratic red

tape required by other food assistance programs. These programs have been operating for decades. In December 1981, the Administration announced the beginning of the surplus dairy distribution program. Distribution was made to achieve a two-fold goal: disposal of government-held surplus commodities to prevent waste and to provide food assistance to needy families and individuals. As this program evolved, additional types of commodities were requested by state and local agencies. In addition, there were requests for assistance to add to the resources provided by volunteers so that these additional commodities could be efficiently transported, stored, and distributed.

The Temporary Emergency Food Assistance Program Act of 1983 formalized the surplus commodity distribution program. As a result, additional commodities were made available to states and to encourage states to distribute these commodities \$50 million was provided to assist state and local agencies in the costs of transporting, storing, and distributing commodities. The temporary emergency food assistance program (TEFAP) and other commodity distribution programs were later reauthorized through 1995.

The Committee has recognized the importance of commodity distribution programs through its continuing oversight and reauthorization of the programs. They are important programs that provide for the distribution of nutritious food to needy families. These programs are, for the most part, a cost effective and proven method to help our neediest people.

The Committee has been concerned about the reduction in the supplies of commodities for distribution. These commodities have provided help to more than 15 million people. Commodity distribution programs are an effective means to get food to needy people because they depend, for the most part, on a network of distribution that is both reliable and efficient. These programs have been the means by which government agencies, the private sector, and charitable institutions have joined together in a partnership to help feed needy families.

The Committee believes these programs provide a safety net that must be consolidated to run efficiently and provide benefits to many people. Some needy families, especially families with elderly persons, are much more likely to prefer and receive commodities through this consolidated program.

Under the consolidated commodity distribution program states seeking commodities must designate a state agency for the administration of the commodity programs and must submit a plan every four years to the Secretary of Agriculture. States are required to establish procedures that will encourage and facilitate voluntary food donations by non-government organizations. Program commodities are allocated to states according to a formula based on the number of persons below the poverty line and the number of unemployed persons within a state. The program establishes a priority system for commodity distribution. Commodity supplemental food program agencies will continue to receive the same amount of commodities they currently receive. Emergency feeding organizations, charitable organizations, and other eligible feeding organizations are the next order of priority. Provisions are made to insure that commercial sales are not displaced; that commodities are pur-

chased and distributed without waste; and that the value of commodities is not considered as income in federal, state, or local programs.

Authorization for the consolidated commodity distribution program is set at \$300 million annually. The program will be subject to appropriations, as are the current four programs. The Committee believes it is essential that commodities in the amount authorized be provided to organizations dedicated to the provision of food to needy families and individuals.

COMMODITY SUPPLEMENTAL FOOD PROGRAM—QUANTITY AND VALUE OF COMMODITIES

[By commodity, fiscal year 1994]

Entitlement commodities	Pounds	Dollars
Section 6/32 type:		
Apple juice, canned	17,009,909	4,203,411
Applesauce, canned	2,008,776	671,762
Beans, dry	2,211,312	807,964
Beans, green, canned	2,031,776	607,987
Beans, vegetarian	0	0
Beef, canned w/nj	2,204,143	3,359,425
Beef, meatball stew	597,879	471,312
Carrots	1,179,912	372,035
Chicken, canned boned	2,655,164	5,185,763
Corn, canned, cream style	299,400	110,021
Corn, canned, whole kernel	940,896	353,887
Egg mix	2,795,724	5,208,428
Fruit cocktail, canned	1,280,520	723,749
Grape juice, canned	10,094,700	3,025,070
Grapefruit juice, canned	2,925,294	668,062
Lentils	49,272	13,661
Orange juice, canned	5,270,141	1,385,662
Peaches, cling canned	2,810,568	1,664,263
Pears, canned	1,243,824	643,000
Peas, green canned	1,465,944	473,320
Pineapple juice, canned	4,849,694	1,302,462
Pineapple, canned	766,170	382,416
Plums, canned, purple	621,504	218,389
Pork, canned, W-NJ	1,379,712	1,786,483
Potatoes, dehydrated	1,264,260	701,273
Potatoes, whole	816,312	254,861
Poultry, canned boned	0	0
Pumpkin	25,728	8,912
Spinach, canned	493,499	172,098
Sweet Potatoes, syrup	485,928	187,345
Tomato juice, canned	1,541,879	365,767
Tomatoes, canned	1,324,440	536,572
Tuna, chunk	1,501,439	1,847,791
Total section 6/32 type	74,145,719	37,713,151
Section 416-type:		
Cereal, dry corn	1,332,891	1,189,763
Cereal, dry rice	1,231,783	1,151,294
Cereal, infant rice	293,670	360,695
Cereal, dry oats	1,272,226	1,453,434
Cereal, wheat	738,156	1,033,830
Farina	2,459,373	896,266
Formula, infant	6,153,405	4,383,037
Macaroni	1,092,672	344,410
Milk, evaporated	24,402,960	11,020,291
Milk, NFD	8,646,024	10,719,845
Oats, rolled	1,244,952	245,754
Peanut butter	4,014,432	3,269,150
Rice, milled	2,432,112	631,529

COMMODITY SUPPLEMENTAL FOOD PROGRAM—QUANTITY AND VALUE OF COMMODITIES—Continued

[By commodity, fiscal year 1994]

Entitlement commodities	Pounds	Dollars
Spaghetti	959,232	305,383
Total section 416-type	56,273,888	37,004,411
Anticipated adjustment		- 5,771,787
AMS/ASCS Admin. expenses		635,111
Total commodity entitlement	130,419,607	68,310,664
Bonus commodities		
Section 6/32 type:		
Grape juice		
Orange juice	14,689,850	3,909,717
Total section 6/32-type	14,689,850	3,909,717
Section 416-type:		
Butter	3,692,016	3,181,513
Cheese process	527,292	674,903
Cornmeal	3,992,650	529,276
Honey	3,605,508	1,090,584
NFD Milk	3,995,856	5,003,242
Total section 416 type	30,503,172	10,479,518
Total bonus commodities	30,503,172	14,389,235
Grand total (Entitlement & Bonus)	160,922,779	82,699,899

Source.—Preliminary food orders for fiscal year 1994.

COMMODITY SUPPLEMENTAL FOOD PROGRAM PROJECTS, PARTICIPATION AND FOOD COST

[FISCAL YEAR 1994]

State or Territory	Projects	Average monthly participation (FNS-153)					Food value in dollars ¹
		Women	Infants	Children	Elderly	Total	
Arizona	11	2,949	0	12,304	9,543	24,796	\$4,459,708
California	2	1,348	934	11,690	3,763	17,735	3,381,331
Colorado	7	2,841	2,679	9,909	6,771	22,200	4,430,302
District of Columbia	1	465	458	3,858	9,446	14,227	2,280,659
Illinois	1	2,236	2,067	10,563	6,273	21,139	4,012,253
Iowa	1	255	126	1,122	3,764	5,267	973,459
Kansas	3	412	0	2,028	2,289	4,729	862,860
Kentucky	1	207	132	1,291	4,519	6,149	1,131,893
Louisiana	1	3,949	2,993	18,262	35,807	61,011	10,911,750
Michigan	8	7,114	5,311	35,812	43,539	91,776	16,089,239
Red Lake, Minn	1	24	19	220	12	275	47,638
Minnesota	3	948	303	4,945	2,769	8,965	1,667,357
Nebraska	6	552	139	2,727	10,843	14,261	2,593,539
New Hampshire	2	786	0	1,529	2,401	4,716	822,745
New Mexico	3	1,474	271	10,882	5,300	17,927	3,289,757
New York	1	3,647	3,084	13,810	188	20,729	4,373,623
North Carolina	1	25	21	220	1,144	1,710	293,824
Oregon	1	35	49	1,030	0	1,114	220,701
Ogala Sioux, S.D.	1	38	36	472	0	546	125,077
Tennessee	4	1,214	709	7,758	13,880	23,561	4,325,597
AMS/ASCS/PCIMS Ad. Exp	0				0	0	635,111
Anticipated Adjustment						0	1,382,241
Total	59	30,519	19,331	150,432	162,551	362,833	\$68,310,664

¹ Total value of entitlement foods.

Note: These data are based in part on preliminary data submitted by State and local agencies and are subject to change as revised reports are received.

THE EMERGENCY FOOD ASSISTANCE PROGRAM—BONUS AND ENTITLEMENT COMMODITY DONATIONS

[Fiscal year 1994]

State or Territory	Pounds of Food	Value in Dollars
Alabama	5,774,504	2,808,576
Alaska	589,257	304,973
Arizona	4,060,468	1,752,671
Arkansas	3,311,724	1,738,461
California	40,096,402	18,602,530
Colorado	3,381,810	1,525,553
Connecticut	2,306,849	1,284,657
Delaware	650,982	328,707
District of Columbia	743,427	397,587
Florida	15,144,162	7,089,685
Georgia	5,682,297	2,789,962
Hawaii	968,058	372,488
Idaho	1,056,372	510,349
Illinois	14,298,810	6,590,290
Indiana	4,933,150	2,197,770
Iowa	2,208,530	1,008,035
Kansas	1,467,888	730,185
Kentucky	4,972,981	1,999,825
Louisiana	6,721,212	3,197,123
Maine	1,481,171	664,461
Maryland	3,744,750	2,011,971
Massachusetts	5,351,565	2,739,808
Michigan	10,776,561	5,497,010
Minnesota	3,691,902	1,966,613
Mississippi	4,291,917	2,089,253
Missouri	5,769,295	2,688,997
Montana	957,948	492,783
Nebraska	1,191,788	592,781
Nevada	1,273,386	553,515
New Hampshire	1,166,593	505,708
New Jersey	7,126,095	3,911,213
New Mexico	2,113,749	981,003
New York	17,454,747	7,312,059
North Carolina	6,445,139	2,739,631
North Dakota	546,438	320,271
Ohio	12,092,016	5,710,582
Oklahoma	3,054,550	1,295,180
Oregon	3,258,372	1,516,195
Pennsylvania	11,678,445	5,920,479
Rhode Island	636,905	327,298
South Carolina	3,518,832	1,300,465
South Dakota	509,659	231,902
Tennessee	6,145,506	2,935,008
Texas	24,063,036	11,868,864
Utah	1,645,902	733,756
Vermont	878,007	429,513
Virginia	5,245,518	2,186,081
Washington	5,275,719	2,653,739
West Virginia	2,966,355	1,529,032
Wisconsin	4,274,844	2,108,612
Wyoming	478,258	265,540
American Samoa	0	0
Guam	158,112	57,322
North Marian Island	0	14,316
Puerto Rico	8,930,851	3,393,570
Trust Territory (excluding NMI)	0	0
Virgin Islands	93,925	55,890
Indian Tribe Set Asi	0	0
Indian Tribes	0	0
Freely Associated States	0	0
DOD Army/AF/USMC/Navy	0	0
AMS/ASCS Admin Expenses	0	800,000
Anticipated Adjustment	- 10,946,965	- 7,046,320

THE EMERGENCY FOOD ASSISTANCE PROGRAM—BONUS AND ENTITLEMENT COMMODITY DONATIONS—
Continued
[Fiscal year 1994]

State or Territory	Pounds of Food	Value in Dollars
Total	275,709,774	128,583,528

Source.—Preliminary final food orders for fiscal year 1994.

THE EMERGENCY FOOD ASSISTANCE PROGRAM—QUANTITY AND VALUE OF COMMODITIES
[By commodity, fiscal year 1994]

Entitlement commodities	Pounds	Dollars
Section 6/32 type:		
Apple juice, canned	47,873,700	12,484,984
Applesauce	7,182,000	2,489,857
Beans, dry	12,458,880	5,200,379
Beans, green, canned	10,303,605	3,806,473
Beans, refried	3,745,440	1,318,585
Beans, vegetarian	2,093,040	525,907
Egg mix	360,000	666,256
Fruit cocktail	0	0
Grape juice, canned	1,085,280	377,849
Orange juice, canned	7,354,200	2,093,429
Peaches, cling, sliced	8,105,400	5,024,664
Pears, canned	2,770,200	1,903,301
Peas, green, canned	5,095,800	2,061,426
Pork, canned w/nj	2,197,098	2,729,139
Potatoes, flakes dehy	0	0
Raisins	7,630,848	4,362,301
Spinach, canned	34,425	13,131
Tuna, canned	66,150	98,802
Total Section 6/32 Type	118,356,066	45,156,483
Entitlement commodities		
Section 416-type		
Cereal, dry corn	64,512	51,436
Macaroni	163,200	51,668
Peanut butter	31,953,600	26,298,126
Rice milled	30,137,040	7,806,590
Total Section 416-type	62,318,352	34,207,820
AMS/ASCS/PCIMS Admin. Expenses	0	800,000
CNMI cashout	0	14,316
Anticipated adjustment	0	41,381
Total commodity entitlement	180,674,418	80,220,000
Bonus commodities		
Section 416-type:		
Butter	49,718,556	42,190,829
Cornmeal	45,316,800	6,172,699
Anticipated adjustment	0	0
Total section 416-type	95,035,356	48,363,528
Grand total (Entitlement & Bonus)	275,709,774	128,583,528

Source.—Preliminary food orders for fiscal year 1994.

THE EMERGENCY FOOD ASSISTANCE PROGRAM—ADMINISTRATIVE EXPENSE FUNDING
[Fiscal Years 1994–1995]

State or Territory	Actual 1994	Estimated 1995
Alabama	\$784,320	\$756,564
Alaska	70,560	81,085

THE EMERGENCY FOOD ASSISTANCE PROGRAM—ADMINISTRATIVE EXPENSE FUNDING—Continued

[Fiscal Years 1994–1995]

State or Territory	Actual 1994	Estimated 1995
Arizona	589,760	645,582
Arkansas	437,160	449,778
California	5,115,040	5,199,972
Colorado	449,996	457,791
Connecticut	371,380	346,413
Delaware	71,236	75,960
District of Columbia	109,520	118,135
Florida	2,026,080	2,045,966
Georgia	971,228	1,051,352
Hawaii	113,360	129,749
Idaho	150,534	145,499
Illinois	1,796,535	1,619,942
Indiana	687,529	696,322
Iowa	332,440	313,661
Kansas	318,996	324,123
Kentucky	706,286	664,508
Louisiana	946,199	1,000,329
Maine	178,851	162,177
Maryland	568,760	557,970
Massachusetts	733,054	735,518
Michigan	1,457,885	1,367,402
Minnesota	541,688	480,590
Mississippi	601,240	632,025
Missouri	776,934	722,156
Montana	130,880	125,425
Nebraska	167,120	173,682
Nevada	172,640	173,321
New Hampshire	120,360	104,433
New Jersey	919,040	956,833
New Mexico	321,844	307,588
New York	2,777,549	2,788,785
North Carolina	920,609	898,426
North Dakota	89,160	87,433
Ohio	1,551,662	1,578,413
Oklahoma	529,735	543,350
Oregon	450,320	422,608
Pennsylvania	1,672,720	1,647,437
Rhode Island	137,859	125,164
South Carolina	552,080	595,524
South Dakota	94,880	97,686
Tennessee	804,410	772,290
Texas	3,236,240	3,398,857
Utah	200,471	206,612
Vermont	77,399	67,106
Virginia	752,280	793,007
Washington	721,040	677,886
West Virginia	400,680	384,537
Wisconsin	600,891	607,818
Wyoming	60,160	63,208
American Samoa	0	0
Guam	14,480	14,786
North Mariana Island	7,240	7,374
Puerto Rico	1,603,360	1,590,006
Trust Territory (excluding NMI)	0	0
Virgin Islands	16,320	19,836
Indian Tribe Set Asi	0	0
Indian Tribes	0	0
Freely Associated States	0	0
DOD Army/AF/USMC/Navy	0	0
Undistributed	0	0
Total	\$40,010,000	\$40,010,000

Source.—USDA.

SUMMER CAMPS AND CHARITABLE INSTITUTIONS QUANTITY AND VALUE OF COMMODITIES

[By Commodity, Fiscal Year 1994]

	Summer Camps		Charitable Institutions	
	Pounds	Dollars	Pounds	Dollars
Entitlement Commodities				
Section 6/32 Type:				
Meat, luncheon canned	0	\$0	0	\$0
Pork, canned W/NJ	0	0	0	0
Total Section 6/32-Type	0	0	0	0
Section 416-Type:				
Cornmeal	132,150	17,288	4,412,150	563,314
Flour	0	0	0	0
Grits, corn	2,800	461	2,422,350	373,620
Macaroni	595,840	171,862	9,080,600	2,516,164
Oats, rolled	279,266	51,985	5,979,808	1,109,482
Oil, salad dressing soc	0	0	0	0
Oil, soybean	0	0	0	0
Oil, vegetable	934,133	392,736	31,652,161	12,567,201
Peanut butter	666,691	519,403	13,840,274	10,927,765
Peanut granules	0	0	69,300	76,674
Peanuts, roasted	249,408	245,023	3,685,632	3,597,271
Rice, brown	0	0	588,000	132,723
Rice, milled	430,175	110,968	16,016,575	3,708,918
Rotini	217,880	69,536	5,330,660	1,661,188
Shortening, liquid veg	123,031	55,460	5,126,722	2,242,399
Salad dressing reduced	0	0	92,064	22,450
Shortening, vegetable	366,300	186,406	17,408,550	7,816,188
Spaghetti, enriched	643,340	186,861	8,654,660	2,457,302
Wheat, rolled	0	0	1,470,000	237,397
Total Section 416-Type	4,641,014	2,007,989	125,829,506	50,010,056
Total Commodity Entitlement	4,641,014	2,007,989	125,829,506	50,010,056
Bonus Commodities				
Section 32-Type:				
Apples, fresh	0	0	284,907	60,827
Beef patty 100% std	15,192	24,671	3,984,408	6,459,678
Blueberries, cult	84,360	49,579	1,957,680	1,149,537
Blueberries, wild	80,850	54,374	2,170,620	1,460,482
Cherries IQF	9,600	4,908	488,220	247,322
Cherries, frz	74,550	34,182	6,173,700	2,814,497
Grapefruit fresh	0	0	563,416	81,697
Grape juice	169,366	47,888	1,408,508	397,255
Orange juice frz conc	0	0	346,770	175,765
Peaches, cling slc	369,000	167,585	3,389,886	1,571,054
Pears diced	90,100	38,116	1,326,257	566,744
Pears halves	56,525	25,135	1,066,660	486,677
Pears sliced	0	0	42,028	17,403
Pears, d'Anjou fresh	2,250	447	519,345	105,630
Pears, Bosc fresh	0	0	91,935	18,677
Raisins 30#	370,620	191,598	5,021,850	2,522,328
Salmon, pink canned	0	0	2,404,292	3,601,424
Strawberries, IQF frozen	55,350	42,136	140,610	106,103
Sweet potatoes	92,222	39,397	1,835,830	783,765
Sweet potatoes, mashed	0	0	0	0
Tomatoes, fresh	5,000	2,011	1,381,900	555,276
Total Section 32-Type	1,474,985	722,027	34,598,822	23,212,141
Section 416-Type:				
Butter	992,232	837,031	34,724,066	32,579,867
Butter patties, soc	0	0	0	0

SUMMER CAMPS AND CHARITABLE INSTITUTIONS QUANTITY AND VALUE OF COMMODITIES—Continued

[By Commodity, Fiscal Year 1994]

	Summer Camps		Charitable Institutions	
	Pounds	Dollars	Pounds	Dollars
Total Section 416-Type	992,232	837,031	34,724,066	32,579,867
Total Bonus Commodities	2,467,217	1,559,058	69,322,888	55,792,008
Grand Total (Entitlement and Bonus)	7,108,231	3,567,047	195,152,394	105,802,064

Source: Preliminary food orders for fiscal year 1994.

SUMMER CAMPS AND CHARITABLE INSTITUTIONS—VALUE OF SURPLUS COMMODITY DONATIONS

[Fiscal year 1994]

State or territory	Summer camps	Charitable institutions	Total
Alabama	18,840	1,823,485	1,842,325
Alaska	0	229,063	229,063
Arizona	76,332	2,028,703	2,105,035
Arkansas	16,585	845,992	862,577
California	116,369	13,208,525	13,324,894
Colorado	60,040	1,099,076	1,159,116
Connecticut	37,147	866,175	903,322
Delaware	2,644	360,969	363,613
District of Columbia	0	570,945	570,945
Florida	72,185	5,167,652	5,239,837
Georgia	0	3,364,371	3,364,371
Hawaii	4,752	211,290	216,042
Idaho	58,121	460,892	519,013
Illinois	91,770	3,565,044	3,656,814
Indiana	85,608	1,585,888	1,671,496
Iowa	108,560	1,021,726	1,130,286
Kansas	0	939,691	939,691
Kentucky	15,257	1,463,050	1,478,307
Louisiana	8,655	2,718,389	2,727,044
Maine	75,366	568,900	644,266
Maryland	15,297	2,584,510	2,599,807
Massachusetts	0	3,024,069	3,024,069
Michigan	233,707	3,376,738	3,610,445
Minnesota	100,912	1,922,627	2,023,539
Mississippi	8,874	1,064,160	1,073,034
Missouri	114,257	2,476,536	2,590,793
Montana	11,514	282,661	294,175
Nebraska	28,665	630,812	659,477
Nevada	693	728,140	728,833
New Hampshire	125,091	445,615	570,706
New Jersey	55,593	1,776,164	1,831,757
New Mexico	8,567	181,802	190,369
New York	397,569	9,597,345	9,994,914
North Carolina	64,540	2,123,763	2,188,303
North Dakota	34,251	437,765	472,016
Ohio	19,726	2,267,252	2,286,978
Oklahoma	433,200	1,413,204	1,846,404
Oregon	68,489	1,555,204	1,623,693
Pennsylvania	157,549	5,084,875	5,242,424
Rhode Island	11,886	154,820	166,706
South Carolina	22,484	1,466,854	1,489,338
South Dakota	11,379	328,329	339,708
Tennessee	17,297	1,932,677	1,949,974
Texas	183,612	10,064,449	10,248,061
Utah	40,729	414,678	455,407
Vermont	26,642	365,863	392,505
Virginia	115,825	1,109,866	1,225,691
Washington	197,057	2,543,665	2,740,722

SUMMER CAMPS AND CHARITABLE INSTITUTIONS—VALUE OF SURPLUS COMMODITY DONATIONS—Continued
[Fiscal year 1994]

State or territory	Summer camps	Charitable institutions	Total
West Virginia	19,560	281,238	300,798
Wisconsin	186,037	3,025,187	3,211,224
Wyoming	7,814	256,648	264,462
American Samoa	0	0	0
Freely Associated States	0	0	0
Guam	0	8,484	8,484
N. Mariana Islands	0	0	0
Puerto Rico	0	767,674	767,674
Virgin Islands	0	8,564	8,564
Indian Tribes	0	0	0
DOD Army/AF/USMC/NAVY	0	0	0
Undistributed	0	0	0
Total	3,567,047	105,802,064	109,369,111

Source.—Preliminary food orders for fiscal year 1994.

SOUP KITCHENS AND FOOD BANKS—QUANTITY AND VALUE OF COMMODITIES
[By commodity, fiscal year 1994]

Entitlement commodities	Pounds	Dollars
Section 6/32 Type:		
Applesauce, canned	0	\$0
Beans, dry	0	0
Beans, green canned	0	0
Beans, vegetarian	0	0
Beef, ground	415,800	526,602
Beef, canned W/NJ	5,546,772	8,426,323
Chicken, canned boned	0	0
Chicken, FRZ cut-up	1,280,000	814,596
Corn, whole kernel	923,400	353,049
Fruit cocktail	0	0
Orange juice, canned	15,850,800	4,771,633
Peaches, cling sliced	4,398,600	2,415,756
Peaches, freestone CND	0	0
Pears, canned	2,086,200	1,447,725
Peas, green canned	0	0
Pineapple, canned	6,174,000	3,455,676
Pork, canned, W-NJ	9,508,759	11,574,573
Potatoes, dehydrated	4,050,000	2,535,975
Poultry, canned, boned	0	0
Tomatoes, canned	6,462,720	2,870,338
Turkey roasts	240,000	325,595
Total section 6/32 type	59,937,051	39,517,841
Section 416-Type:		
NFD milk	52,800	67,012
Total Section 416 Type	52,800	67,012
Section 416-Type—Bonus:		
Butter	524,340	428,530
Total section 416 type	524,340	428,530
Anticipated adjustment	0	- 313,383
AMS/ASCS Admin. expenses	0	300,000
Total commodity entitlement	57,514,191	40,000,000

Source.—Preliminary food orders for fiscal year 1994.

SIMPLIFIED FOOD STAMP PROGRAM

The Committee has determined that the food stamp program will remain at the federal level. Reform of the Aid to Families with Dependent Children (AFDC) program and other welfare programs will constitute significant changes in the provision of welfare. Until states have completed the transition to the new Temporary Assistance for Needy Families (TANF) program, food stamps should remain a federal program, reformed, but still available to persons in need of food.

The Committee believes it is essential to provide states with the ability to harmonize their new welfare program with the food stamp program and has therefore provided states with considerable latitude to accomplish this task. Over the past several years many efforts have been made to allow states this option. Demonstration projects have been authorized, with some more successful than others. The 1981 Food Stamp and Commodity Distribution Amendments and the 1990 farm bill authorized demonstration projects to test various forms of a simplified process to determine eligibility and benefits for AFDC and food stamps.

The 1981 Simplified Application Demonstration Projects tested how different levels of standardization and simplification affect benefits, administrative costs, and errors in the food stamp program. The demonstration projects centered on food stamp participants who also receive AFDC, Supplemental Security Income (SSI), and/or Medicaid. These simplified programs operated in Illinois, California, and Oklahoma. In Illinois, program simplification entailed assigning food stamp benefits to AFDC households based on standard benefit tables under which all households within certain categories receive the same food stamp allotment. Three other demonstration sites adopted more limited forms of simplification. San Diego and Fresno Counties in California used AFDC income definitions for the food stamp program. Oklahoma standardized the gross income level used to calculate food stamp benefits for households at the maximum AFDC payment for the households plus the household's "\$30.00 plus $\frac{1}{3}$ " AFDC earned income disregard. The demonstration projects authorized by the 1990 farm bill were not implemented. Three other states have implemented projects with similar characteristics, Alabama, Minnesota, and Washington.

The 1990 farm bill also established a Welfare Simplification and Coordination Advisory Committee. The members of that advisory committee were experts in the fields of public assistance programs, including food stamps, AFDC, medical assistance and housing programs and had demonstrated expertise in evaluating the operation of these programs and the interaction of these programs with one another. Representatives of state and local administrators and recipients were included as well. In June 1993, the Advisory Committee issued its report and recommended the replacement of the "numerous programs that currently serve the needy with one, family-focused, client-oriented, comprehensive program".

The Committee believes it is time to provide states with the option of harmonizing their new AFDC program with the food stamp program for those participants receiving assistance from both programs. The food stamp program is reformed to make it possible for

states to harmonize the eligibility and benefit determination standards for the new TANF program and food stamps. States will have the option to establish one set of benefit rules for families applying for the new TANF program and for food stamps. Penalties applied by the new TANF rules for work and program compliance will not result in an increase in food stamp benefits. States will be able to choose to apply the same penalties to food stamp benefits as are applied to TANF for failure to comply with TANF work and compliance requirements. Governor John Engler of Michigan, in his testimony before the Subcommittee on Department Operations, Nutrition, and Foreign Agriculture, cited this as one of the necessary changes needed to coordinate these programs.

States will be able to define and count income and expenses for food stamp benefit purposes in the same way they do in their new TANF program. TANF recipients would be automatically *eligible* for food stamp benefits in most cases. They will be able to simplify rules, provide standard benefits varied by household size, area of residence, or other factors. The same procedural rules can be used for the new TANF program and for food stamps (reporting of income, changes in household circumstances, verification standards) as long as a state provides notice of changes in benefits and a fair hearing process.

The Committee intends that USDA can refuse to approve a state food stamp and TANF simplification plan only if it is judged to increase federal food stamp costs or fails to include adequate notice and fair hearing rights and certain other provisions if current food stamp law. States will be permitted to issue food stamp benefits in cash for those persons receiving TANF and food stamps who are employed in a private sector job; have been working for at least three months; and earn at least \$350.00 per month. This provision has been described as one through which food stamp participants will be encouraged to find and keep a job in the private sector. The Committee directs the states, after two years, to provide the Secretary a written evaluation of this provision to determine whether issuing food stamp benefits in cash does promote private sector work.

The federal government operates a multitude of assistance programs which are under the jurisdiction of different federal agencies and in some cases different state and local agencies. For major income and food assistance programs, this lack of coordination and resolution of the differences among programs is troublesome. The Committee considers the simplified food stamp program a first step in the process of coordination. Further steps will be considered as the states continue the process of implementing reform of the overall welfare system.

FEDERAL MEANS-TESTED PROGRAMS

80 Cash and in-kind benefits for persons with limited income at a cost of \$300 billion in 1992 (Federal; State; local funds)

Medical benefits—9 programs at a cost of \$134 billion (59% Federal funds; 41% State/local funds)

Medicaid.

Medical care for veterans without a service-connected disability.

General assistance.
 Indian Health Service.
 Maternal and Child Health Service Block Grant.
 Community Health Centers.
 Title X Family Planning Services.
 Migrant Health Centers.
 Medical Assistance to refugees.

Cash aid—11 programs at a cost of \$70 billion (70% Federal funds; 30% State funds)

Aid to Families with Dependent Children (AFDC).
 Supplemental Security Income (SSI).
 Earned Income Tax Credit (EITC).
 Foster Care.
 Pensions for Needy Veterans, Dependents, and Survivors.
 General Assistance.
 Adoption Assistance.
 Emergency Assistance for Needy Families.
 Cash Assistance to Refugees.
 Dependency and Indemnity Compensation (DIC) and Death Compensation for Parents of Veterans.
 General Assistance to Indians.

Food aid—11 programs at a cost of \$38 billion (96% Federal funds; 4% State/local funds)

Food Stamp Program.
 School Lunch Program.
 WIC.
 School Breakfast Program.
 Nutrition Program for the Elderly.
 Child and Adult Care Food Program.
 TEFAP.
 Summer Food Service Program.
 Commodity Supplemental Food Program.
 Food distribution program on Indian reservations.
 Special Milk Program.

Housing aid—15 programs at a cost of \$21 billion (100% Federal funds)

Section 8 low-income housing assistance.
 Low-rent public housing.
 Rural housing loans.
 Section 236 interest reduction payments.
 Rural rental housing loans.
 Rural rental assistance payments.
 Section 101 rent supplements.
 Section 235 home ownership assistance for low-income families.
 Farm labor housing loans and grants.
 Rural housing repair loans and grants.
 Rural housing preservation grants.
 Indian housing improvement grants.
 Rural housing self-help technical assistance grants and rural housing site loans.
 Home Investment Partnership Program (HOME).

Home ownership and opportunity for people everywhere (HOPE).

Education aid—17 programs at a cost of \$16 billion (96% Federal funds; 4% State/local funds)

Subsidized Federal Stafford loans.

Pell Grants.

Head Start.

College work-study.

Supplemental educational opportunity grants.

Federal trio programs.

Chapter 1 Migrant Education Program.

Perkins loans.

State Student Incentive Grant (SSIG).

Fellowships for graduate and professional study.

Health professions student loans and scholarships.

Follow through.

Migrant High School Equivalency Program (HEP).

Ellender fellowships.

College Assistance Migrant Program (CAMP).

Child Development Associate Scholarship Program.

Vocational education opportunities, Disadvantaged activities.

Other services—8 programs at a cost of \$8.6 billion (63% Federal funds; 37% State/local funds)

Social Services block grant (Title XX).

Child Care and development block grant.

Child care for recipients and ex-recipients of AFDC.

“At risk” child care.

Community service block grant.

Legal services.

Emergency Food and Shelter Program.

Social services for refugees.

Jobs and training—7 programs at a cost of \$5.5 billion (91% Federal funds; 9% State/local funds)

Training for disadvantaged adults and youth.

Summer Youth Employment and Training Program.

Job opportunities and basic skills (JOBS).

Job Corps.

Senior Community Service Employment Program.

Foster Grandparents.

Senior Companions.

Energy aid—2 programs at a cost of \$1.8 billion (95% Federal funds; 5% State/local funds)

Low-income Home Energy Assistance Program (LIHEAP).

Weatherization Program.

REFORM OF THE REFORM OF THE FOOD STAMP PROGRAM

Limiting Automatic Increases in Benefits and Deductions

The food stamp program began as pilot projects in 1961, by Presidential Executive Order under the authority to spend funds in order to support agriculture. In 1964, the Administration proposed

and Congress passed the Food Stamp Act. Eligibility standards were set by states, cities, and counties and they could choose to operate a food stamp program or a food distribution program. As is the case now, the benefits were paid by the federal government. In 1971, uniform, national eligibility standards were set by Congress and the food stamp benefit was adjusted to reflect increases due to inflation. By 1975, amendments to the Food Stamp Act were adopted requiring that if the food stamp program was in operation in any place in a state, it must be offered statewide. By this time the food distribution program was all but phased out.

In 1979, the Food Stamp Act of 1977 took effect, replacing the 1964 Act. The purchase requirement, through which participants had to pay a portion of their income, representing the expected contribution to their food costs, in order to receive a larger amount of food stamps, was eliminated. Because this action was determined to increase participation in the food stamp program, Congress coupled this with restrictions on eligibility and benefits. The amount that could be spent on the food stamp program was specifically limited through authorization ceilings. Nevertheless, the costs of the food stamp program grew considerably. Congress acted to limit the growth through annual, rather than semi-annual inflation adjustments and established fiscal penalties for states with high rates of error. In 1981, the food stamp program again was changed. Inflation adjustments were limited and the income eligibility standard was set of 130% of the poverty level. The growth of the program was slowed.

In 1984 and 1985, previous limitations were restored and benefits were increased. Further, in 1988, a 3% addition to the maximum food stamp benefit was enacted and benefits were further increased. Since that time the costs of the food stamp program have continued to grow, due both to changes in the law, specifically the Omnibus Budget Reconciliation Act OF 1993, and as a result of the automatic adjustments in several of the food stamp deductions and in the thrifty food plan.

The Committee believes it is time to limit the automatic increases built into the food stamp program. Therefore, the Committee has stopped the automatic indexing of the standard deduction, the excess shelter deduction, and the homeless shelter deduction. The Committee has provided for an increase in the thrifty plan, the basis of food stamp benefits, but limited that increase to 2% above the 103% of the thrifty food plan now in place.

Basic food stamp benefits are currently indexed each year to reflect the changes in the cost of the thrifty food plan. The annual increase in the thrifty food plan will no longer be automatically indexed, but will be set at 2%.

The food stamp standard deduction (\$134.00 per month) will continue at the FY 1995 level. The food stamp excess shelter deduction (\$231.00 per month) will continue at the FY 1995 level. The food stamp homeless shelter deduction, now set by regulation at \$139.00 per month, will continued at the FY 1995 level.

The standard deduction was introduced in the 1977 Food Stamp Act and it was to be adjusted based on increases in the Consumer Price Index for non-food items. It was established to take the place of itemized deductions. The excess shelter deduction was also intro-

duced in the 1977 Food Stamp Act. The deduction provides flexibility for families subject to varying weather conditions and for increased rents. Shelter expenses, including utilities, to the extent they exceed 50% of a family's net income, after all other deductions, can be deducted as a shelter cost, up to an inflation indexed maximum of \$231.00 per month. The 1993 Budget Reconciliation Act increased this deduction and eliminated the ceiling after 1996.

Other deductions that are available to food stamp families include a deduction of 20% of earnings in recognition of taxes and work related expenses; dependent care expenses related to work or training up to \$200.00 for children under the age of 2 years and \$175.00 per month for all other children; medical expense deduction for elderly or disabled food stamp participants, to the extent medical expenses exceed \$35.00 per month, per person; and for the elderly and disabled an unlimited excess shelter expenses deduction is allowed. These deductions are not changed in the Committee bill.

Energy assistance

In some states a portion of cash AFDC benefits paid to participants are not counted as income for food stamp purposes because states designate it as energy assistance. This ranges from 3% to 26% of AFDC benefits. This provision of law will be repealed. The Committee believes this will more accurately reflect the actual income received by food stamp participants who are also receiving benefits under a state's welfare program.

Benefits under the Low Income Home Energy Assistance Act (LIHEAP) are not currently counted as income for food stamp purposes. That will *not* change. However, recipients of LIHEAP benefits are allowed to claim a shelter deduction (and thereby increase their food stamp benefits) that includes utility costs that are *paid by LIHEAP*. They claim a deduction for an expense that they did not pay or was paid for out of income that was not counted. Additionally, recipients can claim a standard utility allowance without having to show that they have actually paid for utilities, as long as they receive a LIHEAP benefit. This special treatment will be repealed.

The effect of the current law is that some families get an excess shelter deduction based on utility expenses paid out of uncounted (LIHEAP) income, thereby benefitting twice. A family receiving LIHEAP may receive the same food stamp benefits as an identical family not receiving LIHEAP, although the first family has more income (because of LIHEAP) with which to pay energy costs. The Committee continues the rule that income from LIHEAP will not be counted as income for food stamp purposes but eliminates the duplicate benefits in current law.

Vehicle Allowance

The fair market value of vehicles is counted as an asset in determining food stamp eligibility, to the extent the value exceeds \$4550 (total assets cannot exceed \$2000 or \$3000 for elderly persons). The \$4550 threshold is scheduled to rise to \$4600 in October 1995, and then be indexed for inflation. Also, the value of vehicles used to transport a food stamp household's fuel or water, if that is the pri-

mary source of fuel or water, is not counted in determining the total assets of a household. The October 1995, increase, the indexing of the threshold, and the exemption of vehicles used to carry fuel or water are repealed.

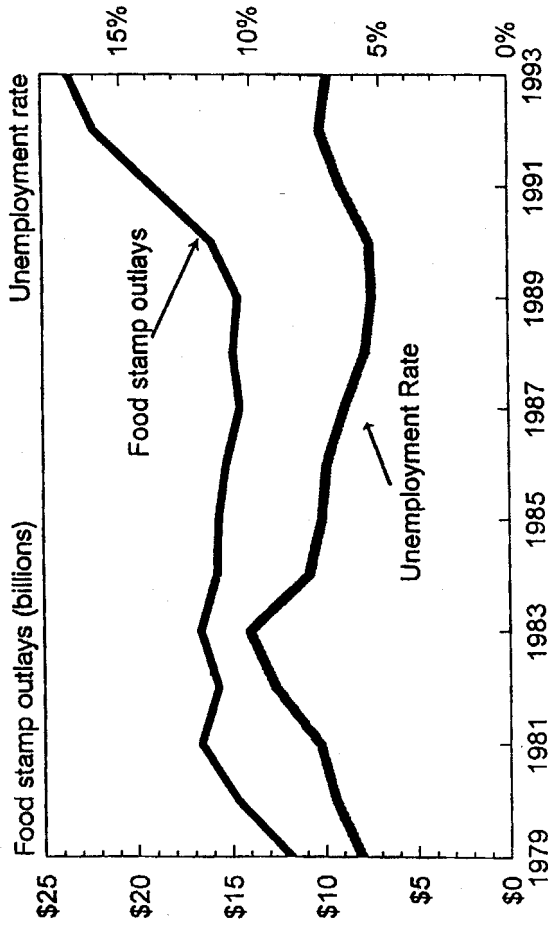
The Omnibus Budget Reconciliation Act of 1993 expanded and indexed the fair market value of vehicles that can be owned by food stamp participants. The Committee believes this is another example of indexing in the food stamp program that can result in uncontrolled cost escalation.

Current food stamp law provides that certain vehicles are not counted at all in calculating eligibility for food stamp benefits. These vehicles include those used to produce income; are necessary for long distance travel for migrant and seasonal workers; are used for subsistence hunting or fishing; or are needed for a physically disabled person. The fair market value of other vehicles is calculated and to the extent that value exceeds \$4450, the amount over \$4550 is attributed toward the resource limit of \$2000. Therefore a family could have a vehicle with a fair market value of \$6550, if there are no other liquid assets, and still retain eligibility for food stamps. Additionally, if a family has more than one vehicle, each valued under \$4550, eligibility for food stamps will not be affected.

Eligibility of Aliens

The Committee bill restricts food stamp eligibility to citizens and legal aliens who have fulfilled naturalization residency requirements and have filed an application for citizenship. Additionally, refugees and asylees are not ineligible for benefits until five years after entry into the United States. Noncitizens 75 years and older, who have lived in the United States for at least five years may continue receiving benefits. Legal aliens currently serving in the United States military or veterans of United States military service will be eligible for food stamps. The Committee has established that on the date of enactment of this bill, a one-year period will be allowed before applying this rule.

**CHART 1. Food Stamp Outlays and the Unemployment Rate,
 FY 1979- FY 1993**
 Food Stamp Outlays in Constant 1993 Dollars

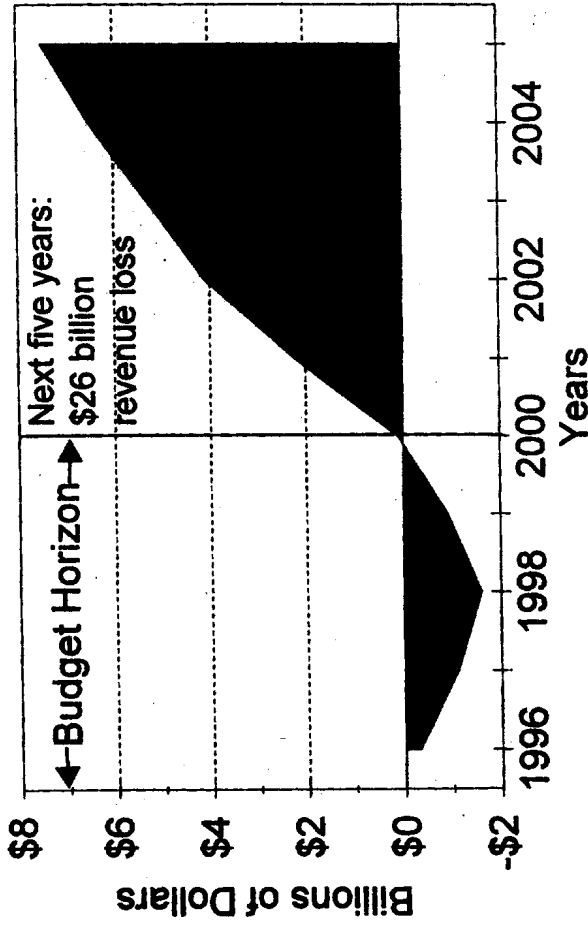


Note: Constant dollar Food Stamp outlays were computed using the CPI-U, food at home component. Outlay totals do not include the Puerto Rico block grant, which totals approximately \$1 billion a year.

Fiscal year	Food stamp outlays (millions of \$)	Food stamp outlays (millions of constant 1993 \$)	Unemployment rate (fiscal year average)	CPI-U Food at home (fiscal year average)
1979	6,822	11,844	5.8	80.0
1980	9,117	14,705	6.8	86.1
1981	11,253	16,646	7.4	94.0
1982	11,014	15,712	9.1	97.5
1983	11,839	16,651	10.1	98.8
1984	11,561	15,772	7.8	101.9
1985	11,701	15,664	7.3	103.9
1986	11,619	15,228	7.1	106.1
1987	11,555	14,480	6.4	111.0
1988	12,265	14,831	5.6	114.9
1989	12,817	14,548	5.3	122.5
1990	14,992	15,983	5.4	130.4
1991	18,684	19,163	6.5	135.5
1992	21,804	22,249	7.3	136.3
1993	23,577	23,577	7.0	139.0

Source: Table prepared by the Congressional Research Service (CRS) based on data from the Office of Management and Budget and the U.S. Department of Labor.

CHART #3 American Dream Savings Accounts Losses are Masked and Back-Loaded



Source: Treasury Dept.

IMPROVING FOOD STAMP PROGRAM MANAGEMENT

The Committee believes that losses to the food stamp program due to errors on the part of state agencies, inadvertent errors on the part of participants, and intentional misrepresentations on the part of participants must be significantly reduced. States overpaid food stamp participants \$1.8 billion in 1993.

The General Accounting Office (GAO) testified before the Committee on February 1, 1995, that states overpaid participants \$7.4 billion during the 1988 through 1993 period. GAO determined that the state agencies accounted for most of the errors, \$3.21 billion or 43% of the amount spent in error. Intention violations of food stamp program rules by participants accounted for the least amount of overpayments and totaled \$1.78 billion or 24% of the errors during this same period.

While states are assessed sanctions for high rates of erroneous eligibility and benefit determinations, the 1993 Reconciliation Act eased the collection of sanctions retroactive to 1992. The 1993 Act required the use of an annual national average error rate and a sliding scale to determine the penalty to be repaid to the federal government thereby greatly reducing penalties. Prior law required that the lowest ever achieved error rate, plus one percentage point, was the tolerance level above which fiscal sanctions would be assessed and assessed then fully on each dollar above the tolerance level. Additionally, that Act allowed states to appeal the Secretary's determination relating to "good cause" as a reason for exceeding error rate tolerance levels to an administrative law judge.

The Committee proposal will reinstate the quality control provisions that were in place prior to the 1993 revisions, with one exception. States will continue to be able to appeal "good cause" reasons for exceeding error rate tolerance levels to an administrative law judge. The effect of this would be to retain the provision in existing law that permits determinations by the Secretary to be reviewed by an administrative law judge. In retaining this provision, the Committee notes that the unambiguous language of existing law makes the decision of an administrative law judge final in such cases and not subject to reversal by the Secretary.

Under the food stamp quality control system a sample of each states' caseload is reviewed each year to determine the degree to which erroneous payments are made and the dollar value of those payments. These surveys produce a dollar error rate for overpayments, payments to ineligible persons, and underpayments. For fiscal year 1993, overpayments and payments to ineligible persons averaged 8.3% of food stamp benefits (\$1.8 billion) and underpayments were 2.5%. Prior to 1993 amendments, if a states' combined error rate was above a certain tolerance level set at the lowest national average combined error rate ever achieved (9.3%) plus one percentage point, a state was assessed a financial penalty. The 1993 amendments changed the tolerance level to the national average combined error rate for that year (not the lowest ever achieved) with no percentage point adjustment and then substantially reduced penalties by changing how they are calculated. Each state's penalty is now determined by a sliding scale so that its penalty assessment reflects the degree to which the state's error rate exceeds

the new level. The current system requires that states be sanctioned on only a portion of every dollar spent in error above the tolerance level. For example, a state that was four points above a 10% tolerance level would be assessed 40% of the misspent food stamps above the tolerance level, as opposed to 100% under the pre-1993 law.

According to USDA the rates of error for the food stamp program (overpayments and payments to ineligible persons) were:

1988—7.41 percent, (\$826 million);
 1989—7.27 percent, (\$849 million);
 1990—7.34 percent, (\$1.03 billion);
 1991—6.96 percent, (\$1.2 billion);
 1992—8.19 percent, (\$1.7 billion); and
 1993—8.28 percent, (\$1.8 billion)(released in June 1994).

Congress passed legislation in 1988 to reform the quality control system and reduced sanctions for 1986 and ongoing years. In 1990, Congress waived sanctions for the 1983 through 1985 period. In January 1993, USDA settled outstanding claims with 26 states. States agreed to invest \$45 million over five years to improve their food stamp program. The settlement provided that \$.85 for every \$1.00 overpaid for the period 1986 to 1991 was waived.

The Committee bill returns the quality control provisions to those adopted in 1988, under former Domestic Marketing, Consumer Relations, and Nutrition Subcommittee Chairman Leon Panetta. That system was described as a more appropriate balance between rewards and penalties for state performance. Since that time the 1993 Budget Reconciliation Act was passed and further eased sanctions on states. Food stamp error rates have risen since then.

The Committee believes returning to most of the carefully crafted 1988 quality control provisions will mean increased attention to reducing the rates of error in the food stamp program. As was stated in 1988, these changes will improve the efficiency of the food stamp program by establishing an error rate of 6 percent as an objective for administrative improvement and targeting sanctions for errors on states with the highest rates of error. The goal of a 6 percent error rate remains in the Act, although error rates have risen since 1988 to 8.28 percent resulting in \$1.8 billion spend in error in 1993.

WORK REQUIREMENTS AND PROGRAM OPTIONS IN THE FOOD STAMP PROGRAM

The Committee believes that the current food stamp employment and training program should be ended and that able-bodied participants with no dependents, between the ages of 18 and 50 years, be required to find work. These persons will be ineligible for food stamps after three months unless they are employed at least 20 hours per week in a private sector job. The Committee intends that the 90 day period is not to be applied retroactively from the effective date of this bill.

The Committee intends that, for 20 hours per week, the persons described below should be working; be in a program under the Job Training Partnership Act; be in a program under the Trade Adjustment Act; or be in a program of employment or training that meets

the standards set by the Governor. Able-bodied persons, with no dependents, who are between the ages of 18 years and 50 years can continue to receive food stamps beyond the 90 days if they are participating in an employment or training program, for at least 20 hours per week, meeting the standards set by the state's Governor. This would include, but not be limited to, job search programs.

A new state program is authorized by the Committee in which states may choose to operate a program within the state or any part of the state under which persons who are required to work may perform work on behalf of the state or on behalf of a private non-profit agency designated by the state. The hours worked will be determined by dividing the food stamp allotment by the applicable minimum wage. Should a state choose to operate such a program, the Committee intends that participation in this state program will fulfill the requirements for continued participation beyond 90 days for able-bodied persons, between 18 and 50 years, with no dependents.

The Committee understands that there may be instances in which high unemployment rates in all or part of a state or other specified circumstances may limit the jobs available for food stamp participants between 18 and 50 years with no dependents. Therefore the Secretary, upon request from a state, is provided with the authority to waive job requirements in these circumstances or if unemployment rates are above 10 percent. The Committee intends that the Secretary, in exercising this authority, will provide the Agriculture Committees of the House of Representatives and the Senate with the rationale for such a decision.

The Committee intends that participants receiving TANF benefits and food stamps will follow TANF work rules. Other able-bodied food stamp participants, who do not receive the new TANF benefits or are not between the ages of 18 and 50 years with no dependents, will be required to register for work and seek a job.

The Committee has provided states with new money (food stamp benefits) to give employers who would, in turn, pay it to participants in work supplementation or support programs. Such programs include those in which public assistance recipients. They are used to pay part of the wages. These programs must meet standards set by the Secretary. Several states, including Oregon and Mississippi, have indicated interest in these types of work programs. The Committee expects that the Secretary will keep the Committee informed at regular intervals as to the progress of these work supplementation or support programs.

ELECTRONIC BENEFIT TRANSFER (EBT) SYSTEMS

The Committee believes that EBT systems, in which food stamp benefits are provided through a debit card system instead of coupons, is the preferred choice of delivering food benefits. The Inspector General of the Department of Agriculture, in his testimony of February 1, 1995 before the Committee, made it clear that EBT systems, while not eliminating trafficking in food stamps, were superior to coupons and a tool that can be used in tracking down persons abusing the food stamp program.

Therefore, states are encouraged and authorized to implement EBT systems under the terms and conditions the state deems ap-

appropriate. The Committee adopted a provision stating that it is the Sense of the Congress that EBT systems be compatible with one another. The Committee intends that these systems should interface with one another and are able to communicate with one another, not that the systems be identical. While it is the intent of the Committee to encourage compatibility between state operated EBT systems, nothing in this Bill should limit a state's flexibility in procuring an EBT system consistent with the changes in this Bill.

The Committee is concerned that because of the standards adopted by the Federal Reserve Board in 1994 governing its Regulation E, and which become effective in March 1997, concerning liability issues and EBT, states are receiving conflicting messages on implementation of EBT systems for the food stamp program. The Committee stresses its encouragement of advancement of EBT systems and is concerned that the increased liability under the Federal Reserve Board's 1994 decision may retard progress. The Committee intends to pursue this matter with hearings later this year.

To further encourage adoption of EBT systems and control fraud, the Committee provides that once a state has implemented EBT on a statewide basis, that state will have the option of operating a food stamp program under a block grant. The Committee intends that EBT benefits will be redeemable only for food.

OBLIGATIONS AND ALLOTMENTS

The Committee is concerned with the escalating costs of the food stamp program and what constitutes a near explosion of fraud in the program, as well as the numerous violations of the food stamp program rules. The situation is not unlike it was in 1976 when an attempt was made to close loopholes in the program and limit certain liberalizing eligibility and benefit rules.

The Committee is of the firm opinion that the food stamp program is very much in need of a spending ceiling.

Historically, the food stamp program reflects earlier efforts to rein in the rapid growth of the Program by imposing a spending ceiling.

The purpose of the amendment of section 18 in section 216 of H.R. 1135 is to return the Act to language inserted in the Food Stamp Act of 1977 that placed a spending ceiling on the costs of the program except that this time it is intended that the spending ceiling will be implemented and effective.

The Honorable Dawson Mathis, a former Member of the Committee on Agriculture, in his Dissenting Views filed with the Committee Report (H.Rept. 95-464) to the Food Stamp Act of 1977, reflects some of the frustration encountered in current attempts to reform the program, stated in pertinent part as follows:

DISSENTING VIEWS OF CONGRESSMAN DAWSON MATHIS

The Food Stamp Act of 1977, among its other defects, represents the final abrogation by Congress of any fiscal responsibility with regard to the food stamp program. As reported by the House Agriculture Committee, H.R. 7940

repeals the provision in existing law requiring that the issuance of stamps, which are legal obligations of the U.S. Treasury, be limited to the amount of funds appropriated in any fiscal year. Beginning with fiscal year 1972, Committee had already agreed not to place a ceiling on the authorization, and now, under the Committee bill, not even the amount appropriated is any obstacle to the issuance of stamps by the administrators in the Executive Branch.

During Committee consideration of this issue. I offered an amendment setting a ceiling on the authorization substantially higher than program costs as estimated by the bill's proponents and restoring the provision in existing law restricting the value of stamps issued to the Congressional appropriation. The Committee rejected the amendment on the ground that an economic downturn or national emergency might swell food stamp rolls and that eligible households might be denied benefits because of a spending cap. In the event of such an economic calamity as envisioned by opponents of a spending ceiling, I am of the opinion that Congress should have the option of deciding whether additional billions should flow into the food stamp program or whether the additional money, assuming it is available, should go to some other worthy national purpose. The Food Stamp Act of 1977 leaves Congress with no option.

* * * * *

In conclusion, if the Food Stamp Act of 1977 is enacted without a spending ceiling, then Congress will have abdicated its responsibility for meaningful food stamp reform and will have insured that the program, entrusted to the professional administrators and regulation writers, will continue to increase in cost by astronomical amounts.

However, while Congressman Mathis lost his amendment in Committee, he prevailed when H.R. 7940 was taken up on the Floor, and the spending ceiling amendment was adopted by the House on a vote of 242 to 173.

The House-Senate Conference on the Food Stamp Act of 1977 adopted the House language in the Conference Report (H. Rept. 95-599) as noted below (see also pages 203 and 204 of the Statement of Managers that provided that the Senate recede to the House provisions):

SEC. 18. (a) To carry out the provisions of this Act, there are hereby authorized to be appropriated not in excess of \$5,847,600,000 for the fiscal year ending September 30, 1978; not in excess of \$6,158,900,000 for the fiscal year ending September 30, 1979; not in excess of \$6,188,600,000 for the fiscal year ending September 30, 1980; and not in excess of \$6,235,900,000 for the fiscal year ending September 30, 1981. Not to exceed one-fourth of 1 per centum of the previous year's appropriation is authorized in each such fiscal year to carry out the provisions of section 17 of this Act. Sums appropriated under the provisions of this

Act shall, notwithstanding the provisions of any other law, continue to remain available until expended.

(b) In any fiscal year, the Secretary shall limit the value of those allotments issued to an amount not in excess of the appropriation for such fiscal year. If in any fiscal year the Secretary finds that the requirements of participating States will exceed the limitation set herein, the Secretary shall direct State agencies to reduce the value of such allotments to be issued to households certified as eligible to participate in the food stamp program to the extent necessary to comply with the provisions of this subsection.

The spending ceiling imposed in the Food Stamp Act of 1977 was breached in fiscal year 1980 by rising to \$9.2 billion despite the spending ceiling provided in section 18 of the Food Stamp Act of 1977 that provided roughly \$6.2 billion. Supplemental appropriations were enacted so that the limit on the value of allotments and the spending ceiling imposed as provided in 1977 was not permitted to take effect.

As noted elsewhere in this report in a table entitled "Food Stamp Program Expenditures", despite their earlier attempts at cost containment of the food stamp program the costs have expanded from \$6.9 billion in fiscal year 1979, by which time the Food Stamp Act of 1977 was substantially implemented, to \$25.6 billion in fiscal year 1994. Growth in the program has expanded since 1979 despite periods of low unemployment and substantial growth in the gross domestic product of the United States.

The amendment to section 18 of the Food Stamp Act in this bill will revert the program policy to what was in effect for many years except that the Committee intends that the spending ceiling imposed by this bill shall take effect as stated. Thus, the Committee has placed a ceiling on obligation authority and if spending looks like it will exceed the spending ceiling, the Secretary is directed to reduce food stamp benefits across the board. There is no need for action by Congress to initiate that process. However, if Congress determines that supplemental funding (appropriation) is needed, that action could be taken. The new AFDC block grant, the WIC block grant, and the school meals block grant are all subject to pressures from many sources, including Governors, to increase spending. The Food Stamp Program is no different. Ultimately, Congress will always have to make decisions on whether to increase spending or further modify the programs when requests to increase spending are made.

Meanwhile, the Committee has retained the entitlement aspects of the food stamp program as urged by many who favored its retention. The obligation authority provided in this section together with other provisions, such as those that tighten work requirements and penalize fraud and abuse of the program, should provide a program administered by the Secretary that is a "safety net" for those who rely on a Federal food program as scoped out in this measure. It is contemplated that other amendments to the Food Stamp Act of 1977 may be considered in the Committee during the writing of the 1995 Farm Bill and this section may be revisited at that time if deemed necessary.

PROGRAM INTEGRITY

The Committee believes that the incidence of fraud and the losses to the food stamp program as a result of such fraud is steadily increasing as the number of food stamp program participants and the total value of benefits received increase. In fiscal year 1994, almost \$23 billion in food stamp benefits were issued to over 27 million recipients. During fiscal year 1993, State and county welfare fraud investigators conducted over 550,000 recipient fraud investigations. Of these investigations, 216,000 cases of positive fraud were found, 77,000 individuals were disqualified from the program, and over 18,000 individuals were prosecuted for welfare fraud. During fiscal year 1994, agents of the Office of the Inspector General (OIG) conducted 236 investigations of food stamp traffickers who were not retail food stores or wholesale food concerns. Also during fiscal year 1994, OIG completed 426 investigations of retail food stores and wholesale food concerns, resulting in the criminal conviction of 308 individuals and firms.

The Committee was advised that fraud occurs in the food stamp program in three different ways. The first method of fraud is in the certification and issuance of benefits. USDA estimates that about \$1.8 billion in food stamp benefits were overissued to recipients in fiscal year 1993. Of this total, about \$414 million was issued to recipients as a result of fraud. The rest was the result of unintentional recipient error and caseworker error. Recipient fraud varies from the intentional underreporting of income or inflation of household expenses to elaborate schemes involving the creation of false documents and fictitious identities. The Committee heard testimony describing a recent incident in the State of Washington in which two State welfare caseworkers and a refugee counselor were engaged in a scheme to fraudulently obtain social security and food stamp benefits for at least 300 refugees. The false food stamp applications were prompted by the refugee counselor and the caseworkers, who took kickbacks from the refugees in return for their being certified to receive benefits.

The second method of fraud is street trafficking in food stamp coupons. Street trafficking involves a person who sells, purchases, or barter food stamps for cash or other nonfood items. In many communities, food stamps have become a second currency. The Committee heard reports and witnessed undercover video footage of food stamps being traded for cash, drugs, guns, and a stolen car. The Committee also heard reports that it was not uncommon for food stamp traffickers to be a part of other criminal enterprises, such as theft and fencing rings or drug trafficking operations. In Smithfield, North Carolina, OIG agents and other law enforcement officers successfully penetrated an organized drug trafficking ring that was transporting large quantities of "crack" cocaine from Florida to Smithfield. During the investigation, OIG documented members of the gang exchanging cocaine on numerous occasions for over \$23,000 in food stamps. Recently in Los Angeles, an undercover OIG agent contacted a street trafficker who agreed to buy \$30,000 in food stamps from the agent. A subsequent search of the trafficker's residence and automobile uncovered an additional \$82,000 in food stamps that had been improperly acquired from recipients.

The third method of fraud is retail food store and wholesale food concern trafficking. USDA is responsible for authorizing retail food stores and wholesale food concerns to redeem food stamps. Currently, over 207,000 retail food stores and wholesale food concerns are authorized to redeem food stamps. Each year, about 30,000 new entities apply for authorization. Also, each year about 30,000 entities are disqualified or become ineligible to redeem food stamps. Approximately 77 percent of all food stamps are redeemed by supermarkets which comprise only about 15 percent of all authorized entities. USDA has found that most retail trafficking occurs in smaller food stores and in other retail entities whose business is not primarily food sales. During fiscal year 1994, USDA compliance investigators reviewed 4,300 entities authorized to redeem food stamps. Of these entities, 1,300 were found to have committed violations serious enough to warrant sanctions, including 902 entities which were trafficking in food stamps.

Retail food stores and wholesale food concerns may traffic in food stamps by improperly redeeming food stamps from recipients or they may launder food stamps improperly acquired by street traffickers. While neither USDA, OIG, nor GAO can provide an estimate with any certainty as to the amount of food stamp trafficking that occurs each year, trafficking in food stamps is believed by OIG to exceed \$1 billion each year. Clearly, the number of trafficking investigations involving multi-million dollar food stamp trafficking operations and the organization with which such operations are operating is on the rise. The Committee heard testimony of a case in Brooklyn, New York, in which investigators found an individual who had obtained authorization to redeem food stamps from USDA for a fictitious retail store. In a 22-month period, this fictitious store illegally accepted more than \$40 million in food stamps from over 600 restaurants, retail stores, and other businesses. In one month alone, this fictitious store illegally redeemed over \$4.7 million in food stamps, nearly five percent of all food stamps redeemed that month in New York City.

The Committee heard testimony that EBT systems have the potential to reduce but not eliminate trafficking and fraud in the food stamp program. EBT has the potential to severely curtail street trafficking because such systems can only be used in conjunction with an authorized point-of-sale terminal at an authorized retail food store or wholesale food concern. EBT, however, is still susceptible to trafficking and fraud by retail food stores and wholesale food concerns. The Committee heard testimony from OIG detailing a trafficking operation using EBT in Baltimore, Maryland, in which two small retailers at an indoor market trafficked over \$1.2 million in food stamp benefits. EBT data, however, assists investigators in detecting traffickers and provides evidence assisting in their prosecution. Additionally, EBT provides investigators with detailed records identifying recipients who traffic in food stamps and assists in prosecuting or disqualifying these individuals.

To combat recipient fraud, the Committee believes that the disqualification periods for recipients for intentional program violations should be increased from six months to one year for the first offense and increased from one year to two years for the second offense. To combat recipient trafficking, the Committee believes that

recipients who are convicted of trafficking food stamps with a value of over \$500 should be permanently disqualified from the program. Additionally, the Committee believes that States should be required to participate in the Federal Tax Refund Offset Program to collect outstanding food stamp claims.

To combat trafficking by retail food stores and wholesale food concerns, the Committee believes that USDA should visit each retail food store or wholesale food concern, or may elicit the assistance of State or local agency personnel on a voluntary basis, before granting authorization to redeem food stamps. The Committee believes that initial authorization should be for a limited period and that retail food stores and wholesale food concerns should be prohibited from submitting a new application for six months after a denial of an application for authorization to redeem food stamps. The Committee believes that where an authorized retail food store or wholesale food concern is permanently disqualified, such disqualification should be effective from the date of receipt of the notice of disqualification pending any administrative or judicial review. The Committee also believes that a retail food store or wholesale food concern disqualified from the Special Supplemental Food Program for Women, Infants, and Children also should be disqualified from the food stamp program during such disqualifications. Finally, the Committee believes that all property used to traffic in food stamps and proceeds traceable to any property used to traffic in food stamps should be subject to criminal forfeiture.

SENSE OF THE COMMITTEE

Section 403 of the bill contains a Sense of the Committee on Agriculture resolution relating to reductions in outlays that reads as follows:

It is the sense of the House Committee on Agriculture that reductions in outlays resulting from this Title shall not be taken into account for purposes of Section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985.

This amendment followed an earlier amendment by the same sponsor that was objected to on a point of order claiming that it was not germane to the bill and was within the jurisdiction of another Committee. The Chairman sustained the point of order.

The sense of the Committee resolution while it is not binding and has no substantive effect, was accepted by the Chairman and was adopted by a voice vote.

A subsequent amendment by the same sponsor, that was somewhat similar to the amendment ruled nongermane but not objected to a point of order, was voted on and rejected on a 23–21 vote.

SECTION-BY-SECTION ANALYSIS

Section 1. Short title

This section provides that the Act may be cited as the Food Stamp Reform and Commodity Distribution Act.

TITLE I—COMMODITY DISTRIBUTION PROVISIONS

Section 101. Short title

This section provides that the title be cited as the Commodity Distribution Act of 1995.

Section 102. Availability of commodities

Provides general authority for the Secretary of Agriculture to purchase a variety of nutritious and useful commodities during fiscal years 1996 through 2000 for distribution to States for programs described in this title.

Permits the Secretary to spend Section 32 funds not needed for other section 32 activities, to purchase, process, and distribute commodities of the types customarily purchased and distributed to States for programs eligible for commodities under this title.

Permits the Secretary to donate Section 32 commodities purchased to encourage domestic consumption by diverting them from normal channels of trade, to States for programs under this title.

Requires the Secretary to make available to programs under this title, at no charge or credit, excess stocks of the CCC, which are not otherwise needed (for other domestic food programs and obligations, for international market development and food aid commitments, or to carry out farm price and income stabilization purposes).

Allows the Secretary to determine the types, varieties, and amounts of commodities purchased each fiscal year as long as the Secretary makes these purchases (to the extent practicable and appropriate) based on agricultural market conditions, States and distributing agency preferences and needs; and recipient preferences.

Section 103. State, local, and private supplementation of commodities

Requires the Secretary to establish a system and procedures for donations of nutritious and wholesome commodities by non-Federal agencies or individuals, and allows the use of administrative funds, equipment, structures and vehicles, and personnel funded under this title to be used to assist in storing, handling and distributing these commodities. Requires that in distributing commodities under this title, States and recipient agencies continue, to the maximum extend practical, to use volunteers and commodities and other foodstuffs donated by charitable and other organizations.

Section 104. State plan and eligibility requirements

Requires States seeking commodities under this title to submit plans of operation and administration every four years to the Secretary for approval, and allows amendment of the plans at any time with Secretarial approval.

Requires State plans to contain, at a minimum, the designated States agency responsible for distributing commodities; a plan of operation and administration for the expeditious distribution of commodities to recipient agencies in quantities requested; and standards of eligibility for recipient agencies and for individual or household recipients of commodities. At a minimum, individuals or households must be needy to be eligible, and must live in the geo-

graphic area served by the distributing agency at the time of application.

Requires the Secretary to encourage States receiving commodities under this title to establish a State advisory board consisting of representatives of all entities, public and private interested in the distribution of commodities under this title.

Permits State agencies receiving commodities under this title to make agreements with other States to:

Jointly provide commodities to eligible recipient agencies that serve needy persons in a single geographical area that includes such States:

Transfer commodities to eligible agencies in the other State; and

Advise the Secretary of the agreement and transfers taking place.

Section 105. Allocation of commodities to States

Requires that, except for commodities required to be provided to the commodity supplemental food program (see section 110), commodities distributed under this title be allocated as follows: 60% on the basis of each State's proportion of the nation's total persons with incomes below the poverty line; and 40% on the basis of each State's proportion of average monthly unemployed persons compared to the national total.

Requires the Secretary to notify each State of the amount of commodities available to it under the allotment, and requires the States to promptly notify the Secretary if they will not accept any or all of the commodities available to them. Requires the Secretary to reallocate and distribute commodities rejected by the States in a method deemed appropriate and equitable. Also requires the Secretary to establish procedures permitting States to decline portions of allocated commodities and to reallocate and distribute them appropriately and equitably.

Authorizes the Secretary to request that States assist other States affected by drought, flood, hurricane, or other natural disaster by allowing the Secretary to reallocate commodities from unaffected to affected areas.

Requires that purchases of commodities be made by the Secretary and at such times and under conditions determined appropriate by the Secretary; requires that deliveries be made at reasonable intervals to the States based on allocations or reallocations made not later than December 31 of the following fiscal year.

Section 106. Priority system for State distribution of commodities

Requires States to make their full allocation of commodities available first to emergency feeding organizations; then to charitable institutions; and then to any other eligible recipient agency not receiving commodities under the title. Exempts the commodity supplemental food program from the priority order. (See section 110)

Section 107. Initial processing costs

Permits the Secretary to use CCC funds to pay the costs of initial processing and packaging of commodities to be distributed under

this title into forms and quantities suitable for use by individual households or eligible recipient agencies, as appropriate. Permits the Secretary to pay such costs in the form of CCC stocks equal in value to such costs, and to ensure that such payments-in-kind do not displace commercial sales of the commodities.

Section 108. Assurances and anticipated use

Requires the Secretary to take precautions to ensure that commodities donated under this title do not displace commercial sales of the commodities, or the products thereof, and to issue at least every two years to the Congress a report on the extent of commercial displacements or substitutions.

Requires the Secretary to determine that commodities provided under this title are distributed and purchased only in quantities that can be consumed without waste, and prohibits eligible recipient agencies from receiving commodities in excess of anticipated use of ability to accept and store, based on inventory records and controls.

Section 109. Authorization of appropriations

Authorizes appropriations of \$260 million for each of fiscal years 1996 through 2000 to purchase, process, and distribute commodities to the States under this title.

Authorizes \$40 million for each of fiscal years 1996 through 2000 for the Secretary to make available to States for State and local costs associated with the distribution of commodities under this title, except for commodity supplemental food program commodities.

Requires that administrative funding be provided to States, on an advance basis, in the same proportion as the commodities distributed under this title. Requires the Secretary to reallocate unused administrative funds among other States.

Requires that not less than 40% of the administrative funding provided to States be used to pay for, or advance payments to eligible recipient agencies for the allowable costs of storage, handling and distribution of commodities by eligible recipient agencies.

Defines "allowable expenses" to include: (1) costs incurred by eligible recipient agencies upon receipt of commodities for transporting, storing, handling, repackaging, processing, and distributing the commodities; (2) costs of eligibility determinations, verification, and documentation; (3) costs of providing information to persons receiving commodities concerning storage and preparation of the commodities; (4) and costs of record-keeping, audits, and other administrative procedures required for program participation.

Stipulates that payments made by States to cover the allowable expenses of eligible recipient agencies be counted toward the 40% of administrative funding that States must make available for the expenses of eligible recipient agencies.

Requires States to submit financial reports to the Secretary on a regular basis showing how administrative funds are used. Prohibits the use of any administrative funds for costs other than those involved in the distribution of commodities by eligible recipient agencies.

Requires States to come up with non-Federal cash or in-kind matching for each dollar in administrative funding it receives that is not passed along to eligible recipient agencies or used to pay the allowable expenses of these agencies. Permits the Secretary to allocate administrative funding to States before the matching formula is satisfied, based on estimated matching. However, the Secretary must periodically reconcile estimated and actual contributions and adjust allocations or reallocations to correct for over or underpayment. Excludes the CSFP from the matching requirements specified for other agencies receiving commodities and administrative funding under this title.

Prohibits States from charging for commodities made available to eligible recipient agencies, and from passing along to eligible recipient agencies any of the costs of the matching requirements.

Specifies that bonus commodities purchased under section 32, or available from excess inventories of the CCC, and the CCC costs of initial processing, packaging and delivery of commodities distributed under this title, not be charged against the authorized appropriations for commodity purchases and administrative funding.

Section 110. Commodity Supplemental Food Program

Requires that \$94.5 million of the amount appropriated for the programs under this title be used in each fiscal year to purchase and distribute commodities for supplemental feeding programs serving women, infants, and children, and/or elderly persons (the "commodity supplemental food program").

Requires that not more than 20% of administrative funding made available for programs under the title be made available to States for State and local payments of administrative costs associated with the distribution of commodities through the commodity supplemental food program.

Defines administrative costs to include expenses for information and referral, operating, monitoring nutrition education, start-up costs, and general administration, including staff, warehouse and transportation personnel, insurance and the administration of the State or local office.

Stipulates that the Secretary will be responsible for the types, varieties, and amounts of commodities purchased for the program each year. However, the Secretary is required to notify the House Committee on Agriculture and the Senate Committee on Agriculture, Nutrition and Forestry, of any significant changes in the types, varieties, or amounts of foods from those available or planned at the beginning of the fiscal year.

Requires that each year, the Commodity Credit Corporation donate not less than 9 million pounds of cheese and 4 million pounds of nonfat dry milk, if it is available from CCC holdings, to the Secretary for the use of the commodity supplemental food program.

Requires the Secretary to approve applications for additional sites including sites serving only elderly persons, in areas where the program currently does not operate to the full extent that applications can be approved and within available appropriations for the program, without reducing actual participation levels in areas where the program operates.

Permits a local agency that has funding in excess of its needs for serving women, infants, and children, to permit low-income elderly persons to participate in the program, subject to the approval of the Secretary.

Requires the Secretary to notify State agencies (and State agencies to notify local agencies) if the price of commodities is higher than expected for one or more types of commodities purchased for the program and such price increase may reduce the number of persons that can be served by the program.

Section 111. Commodities not income

Specifies that commodities distributed under this title not be considered income or resources for the purpose of establishing eligibility for any Federal, State, or local means-tested program.

Section 112. Prohibition against certain State charges

Prohibits States from charging eligible recipient agencies for storage and transportation costs of commodities that exceed the actual cost, and that do not take into account the amount the Secretary provides to the State for such costs.

Section 113. Definitions

“Average monthly number of unemployed persons” means those within a State in the most recent fiscal year for which such information is available as determined by the Bureau of Labor Statistics, of the Department of Labor;

“Elderly persons” means persons over 60 years of age;

“Eligible recipient agency” means a public or private nonprofit organization administering an institution providing commodities to supplemental feeding programs serving women, infants, and children or serving the elderly, or both; an emergency feeding organization; charitable institutions (hospitals and retirement homes) serving needy persons; summer camps or child nutrition programs providing food service; a nutrition project operating under the Older Americans Act including projects that operate a congregate nutrition site and project that provides home-delivered meals; or a disaster relief program.

“Emergency feeding organization” means a public or a private nonprofit organization that administers activities and projects providing nutrition assistance to relieve situations of emergency and distress through the provision of food to needy persons, including low-income and unemployed persons.

“Food bank” mean a public and charitable institution that maintains an established operation involving the provision of food or edible commodities or products to food pantries, soup kitchens, hunger relief centers, or other food or feeding centers that provide meals to feed needy persons.

“Food panty” means a nonprofit organization that distributes food to low-income and unemployed households, including food from sources other than the USDA to relieve situations of emergency and distress.

“Needy persons” means persons with low-incomes or unemployed persons, as the State determines, except that income can be no

higher than 185% of the poverty guideline; food stamp households; or persons participating in other Federal means-tested programs.

“Poverty line” is given the same meaning as given in section 673(2) of the Community Services Block Grant Act.

“Soup kitchen” means a public and charitable institution that maintains an established feeding operation to provide food to needy homeless persons on a regular basis.

Section 114. Regulations

Requires the Secretary to issue regulations within 120 days to implement the title, and to minimize to the maximum extent possible the regulatory, record keeping, and paperwork requirements imposed on eligible recipient agencies.

Requires the Secretary to publish in the Federal Register, as early as feasible but not later than the beginning of each fiscal year, an estimate of the types and quantities of commodities that are likely to be available to States for the commodity programs under this title.

Regulations issued by the Secretary are to include provisions setting liability standards for commodity losses where there is evidence of negligence and fraud, and provisions governing conditions for payment to cover these losses. Such regulations are to consider the special needs and circumstances of eligible recipient agencies.

Section 115. Finality of determinations

Stipulates that determinations made by the Secretary concerning the basis for donation of commodities and funds under this title, when in conformance with applicable regulations, are final and conclusive, and are not reviewable by any other officer or agency of government.

Section 116. Relationship to other program

The commodities distributed under this title shall not be sold or disposed of in commercial channels.

Section 117. Settlement and adjustment of claims

Grants the Secretary authority to determine the amount of, settle and adjust claims arising out of this title and waive such claims as he determines serve the purposes of the title. Moreover, nothing contained in this section is construed to diminish the authority of the Attorney General to conduct litigation on behalf of the United States.

Section 118. Repealers; amendments

Repeals the Emergency Food Assistance Act of 1983 in its entirety. Amends to strike provisions in: the Hunger Prevention Act of 1988, the Commodity Distribution Reform and WIC Amendments of 1987, the Charitable Assistance and Food Act of 1987, the Food Security Act of 1985, the Agriculture and Consumer Protection Act of 1973, and the Food Agriculture, Conservation and Trade Act of 1990, that are replaced by provisions in this title.

TITLE II—SIMPLIFICATION AND REFORM OF THE FOOD
STAMP PROGRAM

Section 201. Short Title

This section provides that Title II be cited as the Food Stamp Simplification and Reform Act of 1995.

SUBTITLE A—SIMPLIFIED FOOD STAMP PROGRAM AND STATE
ASSISTANCE FOR NEEDY FAMILIES PROGRAM

Section 202. Establishment of Simplified Food Stamp Program

This section permits States to operate a program, either state-wide or in any political subdivision, under which households receiving regular cash benefits under the new Temporary Assistance for Needy Families (TANF) block grant, replacing the current Aid to Families with Dependent Children (AFDC) program, would be provided food stamp benefits that are determined by using the rules and procedures established by the State for its TANF block grant program.

Section 203. Simplified Food Stamp Program

Subsection (a) of this section adds a new section 24 to the Food Stamp Act of 1977 establishing the conditions under which a State may exercise the option to use its TANF block grant rules and procedures for food stamp benefits.

The new section 24(a) requires that (1) households in which all members receive regular cash benefits under a TANF block grant program be automatically eligible for food stamp benefits (as is now the case for AFDC recipients) and (2) food stamp benefits be determined under the State's rules and procedures for its TANF grant program with certain exceptions (noted below).

The new section 24(b) requires that, when approving a State's plan to exercise its option for a simplified food stamp program, the Secretary certify that average per-household food stamp benefits received by those provided benefits under the simplified program option is not expected to exceed the average benefit level for AFDC or TANF recipients in the preceding fiscal year, adjusted for any changes in the cost of the Thrifty Food Plan (the basis for maximum food stamp benefit levels). It also would require the Secretary to compute the permissible (average) per-household benefit for each State or political subdivision exercising the simplified program option.

The new section 24(c) requires that, if average benefits provided under the simplified program option exceed the permissible level (the prior year amount adjusted by changes in Thrifty Food Plan costs), the State must repay the Treasury the extra benefit costs incurred within 90 days of notification of excess payments.

The new section 24(d) provides that (1) households receiving food stamp benefits under the simplified program option who are sanctioned (disqualified or have their benefits reduced) under a State's TANF grant program may have the same penalty applied for food stamp purposes and (2) food stamp benefits to households participating under the simplified program option may not be increased as the result of a reduction in their TANF benefits caused by a

sanction. Any household disqualified from food stamps as a result of a sanction under a TANF program would be eligible to apply for food stamps (as a new applicant) after the disqualification period has expired.

The new section 24(e) allows States the further option of applying their TANF rules and procedures to food stamp households in which some, but not all, members receive TANF benefits. These households would not be automatically eligible for food stamps (i.e., they would have to meet normal food stamp eligibility rules), but their benefits could be determined under the State's TANF rules and procedures, so long as the Secretary ensures that the State's plan provides for an "equitable" distribution of food stamp benefits among all household members.

The new section 24(f) allows States exercising the simplified program option to pay food stamp benefits in cash to some households participating under the simplified program. Cash benefits could only be paid to households with 3 consecutive months' earned income of at least \$350 a month from a private sector employer. States would be responsible for paying for increased food stamp cash benefits to offset the effect of any sales taxes (sales taxes on food purchases made with food stamp coupons or electronic benefit transfer cards are barred by current law), and the value of food stamp benefits provided in cash would be treated as food stamp coupons for taxation and other purposes (i.e. disregarded). States would be required to provide an evaluation of the effect of cash assistance after the program has operated for 2 years.

The new section 24(g) requires that States exercising the simplified program option follow certain rules mandated by the Food Stamp Act: (1) requirements governing issuance procedures for food stamp benefits, (2) the requirement that benefits be calculated by subtracting 30 percent of a household's income (as determined by State-established rules under the simplified program option) from 103 percent of the cost of the Thrifty Food Plan, (3) the bar against counting food stamp benefits as income or resources in other programs, (4) the recordkeeping requirement, (5) the bar against discrimination by reason of race, sex, religious creed, national origin, or political beliefs, (6) limits on the use and disclosure of information about applicant households, (7) the requirements for notice and fair hearings to aggrieved households or a comparable provision under the TANF program, (8) the requirement to report illegal aliens to the Immigration and Naturalization Service, and (9) the requirement that States take measures to ensure that households do not receive duplicate benefits. States also would be subject to (1) normal administrative cost sharing rules and (2) quality control rules (including sanctions in cases of high rates of erroneous benefit and eligibility determinations).

Subsection (b) of this section requires that State plans for those electing to exercise the simplified program option include the rules and procedures to be followed in determining benefits, whether the program will include households in which not all members receive TANF grant benefits, and the method by which the State or political subdivision participating in the simplified program will carry out its quality control obligations.

Section 204. Conforming amendments

This section repeals provisions authorizing demonstration projects similar to the simplified food stamp program option established in sections 202 and 203.

SUBTITLE B—FOOD STAMP PROGRAM

Section 205. Thrifty food plan

This section provides for an increase in the thrifty food plan effective October 1, 1995, and each October 1 thereafter to reflect 103% of the cost of the thrifty food plan in June 1994, plus 2% each year. Current law adjusts the cost of the thrifty food plan each October according to the plan's cost in the immediately preceding June.

Section 206. Income deductions and energy assistance

Subsection (a) of this section deletes the Food Stamp Act provision allowing States to designate a portion of public assistance payments as energy assistance and, thereby, have that amount disregarded as income for food stamp purposes.

Subsection (b) of this section reorganizes section 5(e) of the Food Stamp Act and makes the following changes:

Standard income deductions would be frozen at their current levels: \$134 a month for the 48 contiguous States and the District of Columbia, \$229 for Alaska, \$189 for Hawaii, \$269 for Guam, and \$118 for the Virgin Islands. Current law provides for annual inflation indexing.

The limit on excess shelter expense deductions for households without elderly or disabled members would be frozen at their current levels: \$231 a month for the 48 contiguous States and the District of Columbia, \$402 for Alaska, \$330 for Hawaii, \$280 for Guam, and \$171 for the Virgin Islands. Current law provides that these levels increase by 7 percent in October 1995 and eliminates the ceilings beginning in January 1997.

The limit on the amount of shelter expenses homeless households who are not receiving free shelter throughout the month can claim in determining an excess shelter expense deduction would be frozen at the current level of \$139 a month. The Secretary may prohibit the use of the standard homeless shelter deduction for households with extremely low shelter costs. Current law provides for annual inflation indexing.

In determining excess shelter expense deductions, recipients of assistance under the Low-Income Home Energy Assistance Program (LIHEAP) would *not* be allowed to claim as a shelter expense the amount of their home energy costs paid, either directly or indirectly, by the LIHEAP. LIHEAP payments would continue to be disregarded as income for food stamp purposes.

In determining excess shelter expenses deductions, LIHEAP recipients would be allowed to claim a "standard utility allowance" *only* if they have out-of-pocket utility expenses beyond the amount of their LIHEAP assistance.

Subsection (c) of this section makes a conforming amendment relating to the limit on shelter expense claims by homeless households.

Section 207. Vehicle allowance

This section freezes the threshold above which the fair market value of vehicles is counted as an asset in determining food stamp eligibility at \$4,550. Current law provides that the excess over the \$4,550 threshold be counted toward the \$2,000 asset limit (\$3,000 for elderly households). Under the 1993 amendments to the Food Stamp Act, the threshold is scheduled to rise to \$4,600 in October 1995 and be annually indexed for inflation beginning in fiscal year 1997.

This section also deletes a provision that exempts, from the asset eligibility test, vehicles used to transport households' heating fuel or water when the fuel or water is the household's primary source.

Section 208. Eligibility of aliens

Subsection (a) of this section deletes provisions requiring that legally admitted aliens who apply for food stamps will, if the alien's entry was based on a sponsor's affidavit of support, be deemed to have a portion of the income and resources of the sponsor available in food stamp eligibility and benefit determinations for 3 years after entry. [Note: The new provisions of law added in subsection (b) place new direct limits on aliens covered by these deeming provisions.]

Subsection (b) of this section places 2 new limits on the food stamp eligibility of legally resident aliens:

Aliens lawfully admitted for permanent residence as immigrants would only be eligible if they have fulfilled residence requirements and have an application pending for naturalization, are honorably discharged veterans (or the veteran's spouse or dependent child), are on active military duty, other than active duty for training (or are the spouse or dependent child of an individual on active duty), or are at least 75 years of age and have resided in the United States for 5 years.

Refugees and asylees would be eligible only for 5 years after entry.

Section 209. Work requirements

Under current law, non-exempt recipients between 16 and 60 are ineligible if they refuse to register for employment or participate, when required to by the State, in an employment and training program. Exempt individuals are (1) the disabled, (2) those subject to and complying with a work requirement under the AFDC program or the unemployment compensation system (although failure to comply with an AFDC or unemployment program work requirement is treated as a failure to comply with a food stamp program requirement if the requirements are comparable), (3) parents and other household members with the responsibility for care of a dependent child under age 6 or an incapacitated person, (4) post-secondary students enrolled at least half time (separate rules bar eligibility for post-secondary students who are not working or do not have dependents), (5) regular participants in drug addiction or alcoholic treatment programs, (6) persons employed at least 30 hours a week or receiving the minimum wage equivalent, and (7) persons between 16 and 18 who are not head of household and are in school at least half time.

Subsection (a) adds a requirement making ineligible non-exempt recipients who refuse to participate in any State job search program; if the person refusing to participate in job search is head of household, the household would become ineligible. It also revises the exemption for participants in other work programs: those subject to and complying with a work requirement under a TANF block grant program or the unemployment compensation system would be exempt, but failure to comply with a TANF or unemployment program work requirement would be treated as a failure to comply with a food stamp program requirement (whether or not the requirements are “comparable”).

Subsection (a) further repeals the provisions of law establishing the current program under which States must operate employment and training programs for non-exempt food stamp recipients and enroll a minimum percentage (10 percent) in some type of work-related activity. In their place, subsection (a) adds a new work requirement. Under the new requirement, non-exempt recipients would be disqualified if they are not employed a minimum of 20 hours a week or are not participating in a state program within 90 days of certification of their food stamp eligibility. Exempt individuals would be (1) those under 18 or over 50, (2) those certified by a physician as physically or mentally unfit for employment, (3) parents or other household members responsible for the care of a dependent, (4) those participating at least 20 hours a week in (and complying with the requirements of) a Job Training Partnership Act (JTPA) program, a Trade Adjustment Assistance Act training program, or a State or local government employment or training program meeting Governor-approved standards, and (5) those who are exempt from work registration and job search rules, as noted above (e.g., those employed 30 hours a week). The new work requirement could be waived by the Secretary, for some or all individuals within a State or part of a State, if, on a State's request, the Secretary finds that the area has an unemployment rate of over 10 percent, or the area does not have a sufficient number of jobs to provide employment to those subject to the new requirement (but, the Secretary must report to Congress on the basis on which the waiver decision was made). Persons disqualified under the new work requirement could re-establish eligibility by becoming employed for a minimum of 20 hours a week during any consecutive 30-day period or participating in a state program.

Subsection (b) deletes provisions for funding the current employment and training program for food stamp recipients.

Subsection (c) deletes pilot project provisions for a demonstration program similar to the new work requirement added by section 209(a).

Subsection (d) rewrites section 20 of the Food Stamp Act and establishes the requirements for state programs conducted for food stamp recipients.

The new section 20(a) requires the Secretary to permit any State that applies and submits a plan in compliance with the Secretary's guidelines to operate a state program for food stamp recipients either Statewide or in any political subdivision. A state program would require those accepting the offer of a state position in order to maintain food stamp eligibility to perform work on the State or

local jurisdiction's behalf, or on behalf of a private nonprofit entity. Guidelines issued by the Secretary would be required to allow States and local jurisdictions to design and operate a state program that is compatible and consistent with similar programs they operate.

The new section 20(b) requires that, in order to be approved, a state program must provide that participants work no more than the number of hours equivalent to their household's monthly benefit divided by the minimum wage in publicly assigned jobs or private, non-profit jobs.

The new section 20(c) limits the degree to which a State or local jurisdiction can assign participants to replace other workers. No State or local jurisdiction could replace an employed worker with a state program participant, but participants could be placed in (1) new positions, (2) a position that became available during the normal course of business, (3) a position involves performing work that would otherwise be performed on an overtime basis, or (4) a position that became available by shifting a current employee to an alternate position.

The new section 20(d) requires the Secretary to allocate \$75 million a year among States and political subdivisions operating state programs.

The new section 20(e) requires that each State's allocation be equal to its estimated percentage of food stamp participants subject to the new work rule. However, States would be required to notify the Secretary as to their intention to operate a state program, and the Secretary would be required to reallocate unclaimed portions of the \$75 million grant to other States, as the Secretary deems appropriate and equitable.

The new section 20(f) requires that minimum State allocations from the \$75 million grant be \$50,000.

The new section 20(g) requires that, in addition to its portion of the \$75 million grant, the Secretary must pay each State (1) 50 percent of any costs above the state grant amount and (2) 50% of any costs up to half of an amount representing \$25 per participant per month.

The new section 20(h) allows the Secretary to suspend or cancel some or all payments made to States for this program, or withdraw approval on a finding of noncompliance.

Subsection (e) of this section makes a conforming change in the Act.

Section 210. Comparable treatment of disqualified individuals

This section provides that individuals who have been sanctioned with a disqualification under a TANF program (where the State has not exercised its option for a simplified program) would not be eligible to participate for food stamps during the disqualification period.

Section 211. Encouraging Electronic Benefit Transfer (EBT) Systems

This Section provides that states are encouraged to implement EBT systems and are authorized to procure and implement systems that the state deems appropriate.

Once a state fully implements an EBT system it may elect to receive the sum of the food stamp benefits issued under the food stamp program and the amount received for administrative costs for FY 1994 or the average of these amounts for FY 1992 through FY 1994. Such a state may, upon approval from the Secretary, submit a plan through which food assistance is provided to needy persons. The plan must contain certification that the state has implemented a state-wide EBT system; that a single state agency is responsible for the administration of the program; that the food and nutrition needs of needy persons are assessed; that assistance is limited to the purchase of food; that assistance is limited to the most needy; that rules for adequate notice and fair hearings are included; that the program operate with no discrimination; and for other information as may be required by the Secretary.

Up to five percent of the grant may be reserved each year to provide assistance under this section in a subsequent year, but such reserved funds may not be more than 20% of the total grant in any one year. If the Secretary finds that there is substantial failure by a state to comply with the requirements of this section the Secretary must suspend all or part of the payment; withhold all or part of the payment; or terminate the authority of a state to operate a program.

States are required to provide for a biennial audit and an annual report on program expenditures. Fines up to \$10,000 or imprisonment up to five years are included for fraudulent activities.

Section 212. Value of minimum allotment

This section freezes the minimum monthly allotment for 1- and 2-person households at \$10. Under current law (as established in the 1990 amendments to the Food Stamp Act), it is scheduled to increase to \$15 a month [in fiscal year 1997 or 1998, depending on food-price inflation]. The minimum \$10 allotment is granted to 1- and 2-person households even if their actual benefit is calculated to be less.

Section 213. Initial month benefit determination

Prior to the 1993 amendments to the Food Stamp Act, those who did not complete all the requirements for eligibility recertification in the last month of their certification period, but were then determined eligible after their certification period had expired, received reduced benefits in the first month of their new certification period (i.e., their benefits were pro-rated to the date they met the requirements and were again judged eligible). This practice was ended by the 1993 amendments, which, in effect, allowed recipients a 1-month "grace period" to fulfill eligibility recertification requirements during which benefits would not be subject to a pro-rata reduction.

This section would restore pre-1993 law.

Section 214. Improving Food Stamp Program management

Under the food stamp program's quality control system, a sample of each State's caseload is reviewed annually to determine the degree to which erroneous eligibility or benefit determinations were made, and their dollar value. These sample surveys produce dollar

“error rates” for overpayments, payments to ineligible households, and underpayments. The most recent reported error rates are for fiscal year 1993: overpayments and payments to ineligible households averaged a total of 8.3 percent (\$1.8 billion), and underpayments were 2.5 percent (\$550 million), for a “combined” error rate of 10.8 percent.

Prior to the 1993 amendments to the Food Stamp Act, if a State’s combined error rate was above a “tolerance level” set at the lowest national average combined error rate ever achieved (9.3 percent), plus 1 percentage point, it was assessed a dollar penalty for each benefit dollar spent above the tolerance level. For example, if the tolerance level were 11 percent (a national average combined error rate of 10 percent plus 1 percentage point) and the State’s combined error rate were 12 percent, it would be assessed a sanction equal to the difference, or 1 percent of food stamp benefits issued in the State that year.

The 1993 amendments changed the tolerance level to the national average combined error rate for that year (not the lowest ever), with no 1 percentage-point upward adjustment, and then substantially reduced fiscal penalties by changing how they are calculated. Each State’s sanction is now determined by using a “sliding scale” so that its penalty assessment reflects the degree to which its combined error rate exceeds the new tolerance level; in effect, the current system requires that States be sanctioned for a portion of every benefit dollar that exceeds the (reduced) tolerance level. For example, if the tolerance level were 10 percent and the State’s combined error rate were 11 percent, or 1 percentage point (10 percent) above the tolerance level, the State would be assessed a penalty equal to 0.1 percent of benefits issued in the State that year (10 percent of the excess above the threshold).

The 1993 amendments also (1) lengthened the period during which States are held harmless for errors in implementing changes in Federal policy from 60 days (or 90 days at the Secretary’s discretion) to 120 days, (2) required that an administrative law judge, rather than the Secretary, decide whether States have “good cause” to have all or part of their sanction waived, (3) extended the definition of good cause, (4) laid out specific time frames for quality control reviews, determining final error rates, and the appeals process, and (5) required that interest be assessed on outstanding liabilities if the administrative appeals process takes more than 1 year.

This section would repeal the 1993 amendments, except for the provision giving administration law judges the power to decide on “good cause” claims.

Section 215. Work Supplementation or Support Program

This section adds new sections 11(e)(27) and 16(j) to the Food Stamp Act that permit States having a work supplementation or support program, under which public assistance benefits are provided to employers who hire public assistance recipients and then are used to pay part of their wages, to include the cash value of a recipient’s food stamp benefits in the amount paid the employer to subsidize the wage paid. Work supplementation/support programs would be required to meet standards set by the Secretary in order to avail themselves of this provision, and the food stamp ben-

efit value of the supplement would not be considered income for other purposes.

Section 216. Obligations and allotments

This section provides that the amount obligated will not be in excess of the cost estimate of the Congressional Budget Office for the fiscal year ending September 30, 1996, with adjustments for additional fiscal years, in both cases reflecting amendments made by this Act. The Secretary is required to file quarterly reports stating whether there is a need for additional obligational authority. Also, the Secretary is authorized to provide adequate and appropriate recommendations on how to achieve reductions if allotments are limited in any fiscal year.

SUBTITLE C—PROGRAM INTEGRITY

Section 301. Authority to establish authorization periods for retail food stores and wholesale food concerns

This section requires the Secretary to establish specific time periods during which retail food stores' and wholesale food concerns' authorization to accept and redeem food stamps or redeem benefits through an electronic benefit transfer (EBT) system will be valid. Current law has no requirement that retailers and wholesalers be assigned authorization periods.

Section 302. Condition precedent to approval of retail food stores and wholesale food concerns

This section provides that no retail food stores or wholesale food concerns be approved for participation in the food stamp program unless an Agriculture Department employee (or, whenever possible, a state or local government official designated by the Department) has visited it. The Committee expects that participation by state or local officials will be voluntary.

Section 303. Waiting period for retail food stores and wholesale food concerns denied approval to accept food coupons

This section provides that retail food stores and wholesale food concerns that have failed to be approved for participation in the food stamp program may not submit a new application for approval for six months from the date they receive a notice of denial. Current law provisions granting denied retailers and wholesalers a hearing on the refusal are retained.

Section 304. Disqualified of retail food stores

This section requires that a retail food store that is disqualified from participation in the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) also be disqualified from participating in the food stamp program for the period of time it is disqualified from the WIC program.

Section 305. Authority to suspend retail food stores and wholesale food concerns violating program requirements pending administrative and judicial review

This section requires that, where a retail food store or wholesale food concern has been permanently disqualified for its third offense or for trafficking in food stamps benefits, the disqualification period will be effective from the date it receives notice of disqualification, pending administrative and judicial review.

Section 306. Criminal forfeiture

This section replaces existing administrative forfeiture rules allowing the Secretary to subject property involved in a program violation with a criminal forfeiture requirement.

It requires courts, in imposing sentence on those convicted of trafficking in food stamp benefits, that the person forfeit property to the United States (in addition to any other sentence imposed). Property subject to forfeiture would include all property (real and personal) used in a transaction (or attempted transaction) to commit (or facilitate the commission of) a trafficking violation; proceeds traceable to the violation also would be subject to forfeiture. An owner's property interest would not be subject to forfeiture if the owner establishes that the violation was committed without the owner's knowledge or consent.

This section also requires that the proceeds from any sale of forfeited properties, and any money forfeited, be used (1) to reimburse the Justice Department for costs incurred in initiating and completing forfeiture proceedings, (2) to reimburse the Agriculture Department's Office of Inspector General for costs incurred in the law enforcement effort that led to forfeiture, (3) to reimburse federal or state law enforcement agencies for costs incurred in the law enforcement effort that led to the forfeiture, and (4) by the Secretary to carry out store approval, reauthorization, and compliance activities.

Section 307. Expanded Definition of "Coupon"

This section revises the current definition of coupon to include authorization cards, cash or checks issued in lieu of coupons, and access devices (including electronic benefit transfer (EBT) cards and personal identification numbers) in order to expand the items to which trafficking penalties apply.

Section 308. Doubled penalties for violating Food Stamp Program requirements

This section increases the disqualification period for the first intentional violation of program requirements from six months to one year. It also increases the disqualification period for a second violation of program requirements and the first violation involving trading of a controlled substance from one year to two years.

Section 309. Disqualification of convicted individuals

This section requires permanent disqualification of person convicted of trafficking in food stamp benefits where the value of benefits trafficked have a value of \$500 or more.

Section 310. Claim collection

This section requires collection of claims against recipients from federal income tax refunds and federal pay.

SUBTITLED—EFFECTIVE DATES AND MISCELLANEOUS PROVISIONS

Section 401. Effective dates

This section provides that all amendments take effect on October 1, 1995, except for (1) the amendments relating to the eligibility of aliens (effective October 1, 1996) and (2) the amendments relating to improving program management through changes in the quality control system (effective October 1, 1994).

Section 402. Sense of the Congress

This section provides that it is the Sense of Congress that states that operate electronic benefit transfer (EBT) systems should operate EBT systems that can interface with each other.

Section 403. Deficit reduction

This section provides that it is the Sense of the House Committee on Agriculture that reductions in outlays resulting from this Title shall not be taken into account for purposes of Section 252 of the Balanced Budget and Emergency Control Act of 1985.

COMMITTEE CONSIDERATION

COMMITTEE AND SUBCOMMITTEE HEARINGS

The Committee on Agriculture met on February 1, 1995. Agriculture Committee Chairman Pat Roberts stated that the purpose of the hearing was to review enforcement efforts in the food stamp program and that this must be accomplished prior to considering welfare reform.

February 1, 1995

The first witness was Roger Viadero, the Inspector General of the U.S. Department of Agriculture (USDA). Inspector General Viadero testified on the efforts of his office to investigate food stamp and electronic benefit transfer (EBT) trafficking and laundering operations in non-authorized grocery stores, restaurants, and liquor stores. Video tapes of investigations in which officials of the Office of the Inspector General participated were shown to the Committee.

The Inspector General also made recommendations for legislative and regulatory changes which he believed would enhance the integrity of the current Food Stamp Program. These recommendations included changing retailer eligibility criteria; submission of various tax or license forms to assure the retail food store is actually in operation; adding a one year waiting period for retailers prior to authorization; requiring a store visit by USDA's Food Consumer Service (FCS) staff prior to authorization; charging stores a licensing fee; authorizing the forfeiture of proceeds in felony food stamp fraud; and suspension and permanent program disqualification for retailers who traffic in food stamps.

Congressman Ron Wyden, from Oregon, provided his recommendations for correcting existing abuses and systemic weaknesses in the food stamp program. Mr. Wyden advocated reform of the current system and cautioned against efforts to send this program to the states in the form of a block grant. He suggested that the Committee take a look at newly developed and emerging electronic technologies including biometric identification cards. He also expressed his support for program consolidation efforts.

Mr. Robert Rasor, representing the U.S. Secret Service, summarized the investigations and research performed by the Financial Crimes Division of the Secret Service relating to fraud and abuse in the food stamp program. He reported that the Secret Service found very little evidence of counterfeiting in the program in the course of its investigations, but in its undercover investigations found the system to be quite vulnerable to other forms of abuse and fraud, such as embezzlement, recipient fraud, fraud by authorized retailers and trafficking in discounted food stamps by external parties. Mr. Rasor stressed the importance of incorporating new technologies in the form of EBT to minimize existing and future abuses to the food stamp program.

The Subcommittee on Department Operations, Nutrition, and Foreign Agriculture met on February 7, 8, 9, and 14, 1995 to receive testimony on reforming the present welfare system. Subcommittee Chairman Bill Emerson expressed his desire to hear ideas on reforming the present welfare maintenance system from a wide variety of people.

February 7, 1995

Ms. Jane L. Ross, Director, Income Securities Issues, Health, Education, and Human Services, General Accounting Office (GAO) testified regarding the status of Federal means tested welfare programs. She reported that nearly 80 means-tested programs that compose the welfare system accounted for about 15 percent of Federal spending in fiscal year 1992. Federal welfare spending has risen from \$39 billion in 1975 to nearly \$208 billion in 1992. According to GAO's figures, growth in five major entitlement programs has driven this expansion. Aid to Families with Dependent Children (AFDC), food stamps, Medicaid, Supplemental Security Income (SSI) and two major housing programs resulting in a 106% increase in inflation adjusted dollars over this time period.

The GAO's work has shown that these means-tested programs can be costly and difficult to administer. They sometimes overlap one another or are so narrowly focused that they create gaps in services. The task of applying for benefits is arduous and complex. Furthermore, they have found that technology to run the programs is not being effectively developed and used, and that many of these programs are inherently vulnerable to fraud, waste, and abuse. Finally, despite many years of experience with these programs, very little is known about how well they are working and whether the programs are meeting the purposes stated in the various acts.

February 8, 1995

Congressman Michael N. Castle, from Delaware, urged the Subcommittee to consider the Delaware Model of "one stop shopping"

as it reforms the nation's welfare delivery system. He describes Delaware's model as an innovative and comprehensive delivery system. The system consists of approximately 160 different welfare programs and serves, through its service centers, over 600,000 individuals annually. This agency has the mission of promoting access to health and human services, addressing and communicating the communities service needs, and providing access to support services. Congressman Castle cited the overlap in programs that result in a patchwork welfare system that restricts the effectiveness and efficiency with which the programs can be carried out.

Mr. Thomas P. Eichler, Secretary of the Delaware Department of Services for Children, Youth, and Their Families, spoke on the Welfare Simplification and Coordination Advisory Committee authorized by Congress in the 1990 farm bill. Charged with examining policies and procedures of the food stamp, AFDC, medical assistance and housing assistance programs, the Advisory Committee made a series of recommendations for reform. The Advisory Committee recommended eliminating current programs and moving to one comprehensive program with the goal of moving participants toward self-sufficiency. Primary elements of the new program they recommended included (1) a single point of client entry, (2) common rules and definitions for participation, (3) a single means test for eligibility, and (4) a public and private partnership to provide coordinated services.

The Honorable Ellen Haas, USDA Under Secretary for Food, Nutrition, and Consumer Services, spoke on the state of 16 food and nutrition programs for which she is responsible. She reiterated the Administration's position that nutrition programs for the needy are in the national interest and reform of these programs should ensure access to a healthy, nutritious diet and promote health. She insisted further that block granting these programs would eliminate the "automatic adjuster" currently in place and possibly force states to provide less assistance in times of economic downturn.

Ms. Haas' recommendations for change included (1) nutrition security, (2) program integrity, (3) modernizing benefits delivery systems, (4) expanding state flexibility, (5) preserving economic responsiveness, and (6) promoting personal responsibility.

The Honorable Mary Jo Bane, Health and Human Services (HHS) Assistant Secretary for Children and Families, testified in support of the Administration's 1994 welfare reform proposal. Her presentation covered three major issues; (1) the proper balance between national objectives and state flexibility; (2) the conversion of AFDC and the Food Stamp program to block grants or capped discretionary programs; and (3) national requirements or accountability standards governing a reformed welfare system. Ms. Bane recommended that in order to ensure greater state flexibility final reform should (1) achieve the objectives of work, responsibility and accountability; (2) ensure stability in funding over time; (3) cushion state and individuals against economic cycles; and (4) preserve the basic family protections for needy Americans, particularly children.

Sister Augusta Hamel, the Executive Assistant to the President of Second Harvest National Network of Food Banks, the largest domestic hunger relief organization in the United States, reviewed the role of such organizations and the importance of the federal

contribution to this network. Sister Hamel spoke of the need for private sector participation in dealing with the hunger problem in this country, but also stressed that federal participation has been critical to the success of these efforts and must continue. While reform is necessary, she stated that private resources are already pushed to the limit and some reform proposals may be asking more of the charitable sector than they can possibly deliver.

On behalf of other organizations similar to Second Harvest, Sister Hamel suggested that rather than block granting the programs to the states, as currently proposed, commodity distribution programs should be consolidated and integrated. The programs include the emergency food assistance program (TEFAP), commodity supplemental food program (CSFP), soup kitchens and food banks program (SKFB), and the charitable institutions and summer camps program (CIP) into a single program: the American Commodity Hunger Relief Program (ACHR).

Reverend Monseigneur Roger P. Morin, Executive Director, Department of Community Services, Archdiocese of New Orleans spoke in his capacity as Executive Director of the Department of Community Services in the Archdiocese of New Orleans. He advocated the retention of CSFP. He expressed the view that the tremendous purchasing power of the USDA combined with the cost effectiveness and efficiency of the volunteer distribution system give the taxpayer the highest return. Reverend William T. Cunningham, Director, of Focus Hope, another CSFP program operating in Detroit, Michigan, expressed support for preserving the CSFP because the program targets the nation's most vulnerable populations, the very young and the very old. CSFP in Detroit was described as a program that provides a monthly selection of foods specifically tailored to the nutritional needs of the populations served; purchases foods at one-half to one-sixth the cost of equivalent goods in retail stores; involves the entire community in the problems of hunger and poverty; and links job training, child care and other critical services for low-income families.

Ms. Zoe Slagle, the Food Distribution Coordinator with the Michigan Department of Education testified on behalf of her Department and the American Commodity Distribution Association (ACDA). She advocated the preservation of the commodity distribution programs and reiterated the claims made by others, that while food and nutrition programs should be further streamlined for efficiency and effectiveness, federal programs still represent the highest return to the taxpayer because of the tremendous buying power of the federal government.

February 9, 1995

The Honorable John Engler, Governor of Michigan, advocated placing food and nutrition programs into a single block grant to the states. He further maintained that because states know the needs of their people, they should be given the authority to plan and administer welfare programs that encourage and assist people into productive jobs and off of government assistance. In his experience, federal programs have had the opposite effect of encouraging recipients not to work. When the state of Michigan has sanctioned indi-

viduals who do not work by reducing their AFDC benefits, their food stamp allowances have gone up.

Ms. Carol Anderson, Director of the Economic Support Services Section in the Georgia Division of Family and Children Services, discussed recent innovations and policy changes relating to the delivery of assistance benefits. Through the use of waivers from HHS and USDA, Ms. Anderson and others in her division have streamlined program access and have created "one-stop shopping" for six state and federal programs. She addressed the new "Work First" strategy in which eligibility staff are trained to assess participants strengths and weaknesses in obtaining employment; contracts for self-sufficiency that map out steps to economic independence; expedited child support services that are used to direct applicants from welfare to independence; and specialized job developers that are hired to work directly with employers.

Ms. Anderson said that while a block grant is attractive, reduced funding levels in current proposals gave her cause for concern. However, if states knew what block granting would bring in terms of funding and if they knew that block granting would also bring increased flexibility, there could be more opportunities to create better programs.

Mr. John Petraborg, Deputy Commissioner of the Minnesota Department of Human Services testified before the Subcommittee regarding welfare reform efforts underway in Minnesota. Its simplification and streamlining efforts feature the concepts of "Work Pays" which allows families to keep part of their AFDC payments; an enforced social contract-requiring AFDC participants to develop a plan of employment and self-support; and a program that combines and simplifies the AFDC and food stamp programs.

Ms. Sammie Lynn Puett, Vice President for Public Services at the Continuing Education, and University Relations of the University of Tennessee, testified of the work of the Welfare Simplification and Coordination Advisory Commission created by Congress in 1990. She reviewed the objectives of the Advisory Committee and the problems that remain for welfare reformers. The Advisory Committee concluded that the numerous and overlapping programs at both the state and federal level should be replaced by a single, one family-focused, client-oriented, comprehensive program.

Ms. Joyce Walsh, of the Larue County Health Center in Hodgenville, Kentucky discussed her observations and experiences as a local Special Supplemental Program for Women, Infants, and Children (WIC) program coordinator. She stated that WIC has achieved its original objectives of reducing infant mortality and morbidity. She advocated the retention of WIC and also suggested combining the administration of WIC and the food stamp program. Ms. Walsh suggested that food prescriptions for the food stamp program, similar to those found in WIC, be developed. She stated that this would improve the nutritional status of needy families and could be done at a reduced cost.

February 14, 1995

Congressman Tony Hall, from Ohio, testified in opposition to block grants to the states for AFDC, the food stamp program, WIC, and other nutrition programs. He said that under block grants food

assistance would not be automatically increased in time of recession and that allocations to the states may be miscalculated. He stated state flexibility could be increased, fraud reduced, and the costs of the various programs reduced without block granting these programs.

Congressman Ron Wyden, from Oregon discussed his recommendations for reducing fraud, waste and abuse in the food stamp program. He made three specific recommendations: (1) implementation of asset forfeiture laws similar to forfeiture provisions under anti-drug trafficking statutes, (2) submission of verifiable business license by authorized food stamp retailers, and (3) possible imposition of a certification fee on retailers to pay for the enforcement of anti-fraud efforts of this certification process.

Mr. Robert Rector, Senior Policy Analyst for Welfare and Family Issues at The Heritage Foundation summarized the historical objectives, growth, and social and actual costs of the welfare system from 1930 to the present. He stated that welfare spending is now nine times greater than when President Lyndon Johnson launched the War on Poverty. In 1964, welfare spending absorbed 1.23% of Gross Domestic Product (GDP) and by 1993, spending had risen to 5.1% of GDP. Mr. Rector described three objectives for welfare spending: (1) sustain living standards through cash and non-cash transfers, (2) promote self-sufficiency, and (3) aid economically distressed communities. He maintained that U.S. society can no longer tolerate or afford open-ended growth in welfare spending. His recommendations included phasing out welfare entitlements and sending the programs to the states in the form of a block grant.

Ms. Anna Kondratas, Senior Fellow at the Hudson Institute, testified on the issue of welfare reform that would discourage illegitimacy, promote productivity, and preserve the family unit. She expressed the view that the current welfare system is seriously flawed and called for scrapping and replacing it with a system that gives more flexibility to the states to operate and even change AFDC. This reform should, in her view, be done gradually, preserving and combining programs that have proven successful. She also expressed support for devolution in the federalism debate, but cautioned that state and local bureaucracies are still bureaucracies, and many of them are not more efficient than federal ones.

Mr. Mark Greenberg, of the Center for Law and Social Policy testified on the issue of welfare reform as it relates to food stamp program reform. He made four principal points: (1) the food stamp program has a different purpose, structure, and serves a much broader population than the AFDC program; (2) block-granting food stamps would seriously undercut the program's basic purpose; (3) block-granting the AFDC-related portion of food stamps raises additional difficulties; and (4) in light of imminent changes in AFDC, the food stamp program's role as a safety net becomes even more crucial.

Mr. Robert Greenstein, the Executive Director of the Center on Budget and Policy Priorities expressed the view that while welfare reform must take place, block grants are ill conceived and will jeopardize existing programs and harm those they are intended to help. Mr. Greenstein made recommendations for increasing flexibility

and controlling costs without resorting to block grants. States, he said, should be allowed (1) to align food stamp employment and training programs with work activities for AFDC recipients; (2) to modify rules determining income and resources; (3) additional flexibility to simplify or standardize procedures for determining food stamp benefit levels of AFDC families; (4) to convert food stamp benefits to wage subsidies for employees; (5) to have impediments to EBT systems removed; and (6) to remove dozens of unnecessary and prescriptive state requirements.

Mr. Robert J. Fersh, President of the Food Research and Action Center, discussed the treatment of current participants in the food assistance programs and sought assurances that the new nutrition programs will meet the objectives of the current system. He also addressed the issue of national consensus on hunger and malnutrition prevention, minimum nutrition requirements for all 50 states, the food stamp program's responsiveness in times of economic change; and advantages of maintaining a national food stamp program.

Mr. Timothy M. Hammonds, President and CEO of the Food Marketing Institute, recommended changes that would lead to reduction of fraud and abuse, enhancement of the dignity of the programs, and reduction of both public and private administrative costs. He recommended that current food assistance coupons not be issued in cash, but that EBT systems be implemented as quickly as possible, that national uniformity in the food assistance program should be a goal, and licensing requirements for participating retailers should not be restrictive. The Honorable John R. Block, National-American Wholesale Grocers' Association (NAWGA) and former Secretary of Agriculture, expressed support for efforts aimed at block granting welfare programs to the states. He opposed proposals which cash out the food stamp program to the states and instead expressed support for maintaining the food stamp coupon/EBT delivery system.

Mr. William C. Ferriera, President of the Apricot Producers of California and representing the Commodity Distribution Coalition, encouraged reform of programs but not discontinuance of federal food assistance programs. He endorsed the consolidation plan as proposed by Second Harvest; recommended a complete review of program administration and technology utilization; encouraged making the commodity support component of federal food assistance programs available to other programs; advocated preserving nutrition standards for school meal programs; and recommended that U.S. agriculture commodities be purchased for domestic food assistance programs.

Reverend Robert A. Sirico of the Acton Institute for the Study of Religion and Liberty discussed his belief that the federal government has almost entirely usurped the traditional role of religious institutions and charity. He advocated reforming the current welfare system by taking the function of charity from the government and returning it to the family and churches who understand the most basic needs of people. Reverend Frederick Kammer, the President of the Catholic Charities USA, cautioned against cashing out or block granting food stamps. He stated that the food stamp program is the place of last resort for the poorest and most desperate.

Churches and charities, he said, are incapable of handling the present hunger problems.

Ms. Virginia White, of the Kansas Food Bank Warehouse, Inc., advocated keeping the food stamp program and other food programs in their current form and suggested that Members seek the support of Governors for a plan that would provide a food insurance safety net. Ms. Jasmine Gunthorpe of Baltimore, Maryland described her personal difficulties living and functioning within the current AFDC system. She works in a nine-month, part-time-minimum wage, contractual position. If her work exceeds AFDC income levels, she loses AFDC benefits for that period, requiring her to re-apply for AFDC benefits for the three months she is not working. She expressed frustration at having different social workers who estimate benefits, calculate wages, assess food stamp needs, and who help with child care. She recommended reforms that provide for basic needs for children; reduction in poverty not just a reduction of individuals from the welfare rolls; and efforts to bring people into the mainstream of life. Mr. D. Michael Hancock of the Farmworker Justice Fund stated that in the event that food and nutrition programs are block granted to the states, states should be directed to ensure inclusion of farm workers in these programs. He also called for educating farm workers on food and nutrition programs and for bilingual program counselors.

COMMITTEE MARKUP

Pursuant to Committee Rule VI c., H.R. 1135, the Food Stamp Program and Commodity Distribution Act, was considered by the Committee in an open business meeting on March 7, 1995.

The Chairman called the meeting to order at 9:30 a.m. and stated that a copy of the bill and section-by-section analysis of the bill was available to each Member at his place on the rostrum. The Chairman then recognized Congressman Gunderson who moved, consistent with clause 4 of House Rule XI, that the Chairman would be authorized to recess the Committee from time to time during the markup of the bill as necessary for Members to respond to votes on the Floor and for other purposes. The motion was adopted by voice vote.

Thereafter, the Chairman, Ranking Minority Member, Mr. de la Garza, and Chairman of the Subcommittee on Department Operations, Nutrition and Foreign Agriculture, Mr. Emerson, either gave or were recognized for opening statements. The Chairman stated that because of time constraints other Members were requested to file their statements in the record of the markup and that Committee staff would assist in making their statements available to the press. The Chairman also advised the Members that the Congressional Budget Office (CBO) had advised the Committee that a cost estimate of the bill would not be available until later in the day or the next day despite delivery of the substance of the bill to such Office prior to March 3rd.

Mr. Volkmer made a motion that the Committee postpone consideration of H.R. 1135 until 9:30 a.m., Wednesday, March 8, 1995. By a recorded vote, the Volkmer motion was not agreed to. See Roll Call Vote No. 1.

At this point, Mr. Emerson offered an Amendment in the Nature of a Substitute to H.R. 1135, and without objection, the Amendment in the Nature of a Substitute was opened for amendment at any point. A section-by-section analysis of such Amendment was provided to Members.

Mr. de la Garza, on behalf of himself and Mr. Roberts, offered and explained an amendment addressing program integrity and the issue of fraud in the food stamp program. Discussion occurred and by voice vote, the Roberts-de la Garza amendment was adopted.

Mr. Hostettler offered and explained an amendment to (1) repeal the Food Stamp Act of 1977 and block grant the funds to the States; (2) freeze funding at the FY 95 outlay level (CBO estimate is \$26,245 billion); (3) provide \$18.6 billion in savings over five years (based on CBO baseline); and (4) include a work provision calling for 32 hours of work per month for able-bodied persons under 60, excluding single parents with children at home. Discussion occurred and by a recorded vote of 5 yeas to 37 nays, the Hostettler amendment was not adopted. See Roll Call Vote No. 2.

Mr. LaHood asked unanimous consent that all amendments be considered thereafter with no more than 15 minutes to be spent on each amendment. Discussion occurred and an objection was heard.

Mr. Stenholm offered and explained an amendment regarding the treatment of reductions in expenditures for budget purposes, which stated that the net reduction in outlays produced by the Act shall be used to reduce the deficit. A point of order was raised against the amendment as being nongermane. The Chairman ruled that the amendment was not in order and was outside the jurisdiction of the Committee and the objection was sustained.

Mr. Stenholm then offered an amendment concerning the Sense of the Committee regarding deficit reduction. Mr. Stenholm indicated that the purpose of this amendment was to see that whatever savings result from Committee action on H.R. 1135 would not be used for purpose of any tax reduction. By an unanimous voice vote, the Stenholm amendment was adopted.

Mr. Smith on behalf of himself and Mr. Foley offered and explained an amendment concerning the definition of food which could be purchased with food stamp coupons. Discussion occurred and the amendment by a voice vote was not adopted. Mr. Smith requested a roll call vote, but an insufficient number of Members were in favor of a roll call vote.

Mr. Brown offered and explained an amendment which would protect benefits to children under the simplified food stamp program and a low-income nutrition assistance program operated by a state. Discussion occurred. A question was raised about the amendments affect on harmonizing the AFDC and food stamp reforms. By a recorded vote of 16 yeas to 26 nays, the Brown amendment was not adopted. See Roll Call Vote #3.

Mr. Allard offered and explained an amendment concerning commodities that should be considered as income for purposes of reflecting total household income during the collection and report of census data. Mr. Volkmer raised a point of order that the Allard amendment was not germane to the general purpose of the bill.

Discussion occurred and without objection Mr. Allard withdrew his amendment.

Mr. Farr was recognized and asked unanimous consent to present three amendments en bloc. Discussion occurred and by unanimous consent Mr. Farr asked that the three amendments be considered separately. Mr. Farr also asked unanimous consent that an amendment concerning work requirements for food stamp recipients be withdrawn from the three offered as a compromise was being worked out.

Mr. Farr then offered and explained an amendment concerning the protection of the food stamp program during periods of high unemployment, and explained that the amendment would remove the cap for any fiscal year in which unemployment exceeded 6.5 percent in any month from October through May. Lengthy discussion occurred and by a recorded vote, 14 yeas to 28 nays, the Farr amendment was not adopted. See Roll Call Vote No. 4.

Without objection, Mr. Farr withdrew his amendment concerning protecting benefits to elderly or disabled members under the simplified food stamp program and a low-income nutrition assistance program operated in a State. No objection was heard.

Mr. Farr was recognized to offer and explain a compromise amendment for himself, Mr. Gunderson, and Mrs. Thurman. The amendment concerned work requirements which would allow those who were participating in a program of employment and or participating in a training program to still be eligible for food stamps. Discussion occurred and by a voice vote, the Farr amendment was adopted.

Mr. Gunderson offered and explained an amendment that would retain the right of state agencies under current law to have an administrative law judge review determinations by the Secretary concerning the existence of good cause for a failure to meet error rate tolerance levels. Discussion occurred and by a voice vote, the Gunderson amendment was adopted.

Mrs. Thurman was recognized to offer and explain an amendment which stated that in no event shall benefit levels fall below a floor of 100 percent of the Thrifty Food Plan. Discussion occurred and without objection, Mrs. Thurman withdrew her amendment.

Mrs. Thurman then offered and explained an amendment that would adjust the Thrifty Food Plan by 100.6 percent in June, 1995, and 100 percent on October 1, 1996, and each October 1, thereafter. Mrs. Thurman advised the Committee that this amendment would achieve the same savings over five years as the provisions of the Amendment in the Nature of a Substitute. Discussion occurred and by a recorded vote of 18 yeas to 24 nays, the Thurman amendment was not adopted. See Roll Call Vote No. 5.

Mr. Gunderson was then recognized and asked unanimous consent to replace the Farr-Gunderson-Thurman amendment previously adopted with a technically correct version of that amendment concerning work requirements. Mr. Gunderson and Mrs. Thurman advised the Committee that there would be report language which would define the condition under which job search qualifies as employment in this section as amended. Without objection, the Gunderson amendment was adopted.

Mrs. Clayton was recognized to offer and explain two amendments en bloc which would (1) strike the AFDC simplification plan and (2) strike the electronic benefit transfer block grant. Mrs. Clayton advised the Committee that the intent of her amendment was not to strike availability of the electronic transfer system but it was not to use that as an incentive to block grant food stamps. Discussion occurred and by a voice vote, the Clayton amendment was not adopted.

Without objection, Mr. Goodlatte was allowed to offer four amendments en bloc. The first amendment was a Sense of the Congress that states shall operate electronic benefit systems which are compatible with each other; the second amendment concerned disqualification of retail food stores and wholesale food concerns and stated that retail food stores and wholesale food concerns disqualified from the WIC program would also be disqualified from the food stamp program; the third amendment concerned a condition precedent for approval of retail food stores and wholesale food concerns; and the fourth amendment concerned disqualification of convicted individuals for entitlement. Discussion occurred and by a voice vote, the en bloc amendments were adopted.

Mr. Pastor was recognized and offered an amendment concerning the age of exemption of elderly persons from the new alien rule. Discussion occurred and by voice vote, the Pastor amendment was not adopted.

Mr. Pastor then offered an amendment concerning children and pregnant women eligibility under the new alien rule. Discussion occurred and by voice vote, the Pastor amendment was not adopted.

Mr. Pastor also offered and explained an amendment concerning children eligibility under new alien rule. Discussion occurred and by a recorded vote of 19 yeas, 24 nays, and 1 present, the Pastor amendment was not adopted. See Roll Call Vote No. 6.

Mr. Smith was recognized to offer and explain an amendment concerning income standards of eligibility and a Food Stamp contingency reserve fund. The amendment would reduce the eligibility from 130 percent of poverty down to 120 percent of poverty, and the savings estimated by USDA were approximately \$500 million a year for the amendment. Discussion occurred and without objection, Mr. Smith withdraw his amendment.

Mrs. Clayton was recognized to offer and explain an amendment concerning work requirements by allowing the job search cutoff period to be extended from 90 days to 180 days. After discussion which indicated that this issue was addressed in the Farr-Gundersen-Thurman amendment, Mrs. Clayton requested by unanimous consent to withdraw her amendment. There was no objection to the request.

Mrs. Thurman was recognized to offer and explain an amendment concerning Food Stamp Employment and Training Program that adds \$75 million to the workfare program under the Amendment in the Nature of a Substitute. Mr. Gunderson advised the Committee that the Economic and Educational Opportunities Committee would soon be considering a comprehensive consolidation of the many jobs training programs. At that point, without objection, Mrs. Thurman withdrew her amendment.

Mr. Pomeroy was recognized to offer and explain an amendment concerning income deductions and energy assistance. Discussion occurred and by a recorded vote of 14 yeas to 30 nays, the Pomeroy amendment was not adopted. See Roll Call Vote No. 7.

Mrs. Thurman was then recognized to offer and explain an amendment concerning the vehicle allowance under the food stamp program and indicated that she was likely to bring this issue up again on the Floor. Discussion occurred and by a voice vote, the Thurman amendment was not adopted.

Mrs. Clayton was recognized to offer and explain an amendment concerning the calculation of hours that a food stamp recipient is required to work under a state program. Discussion occurred and by a voice vote, the Clayton amendment was adopted.

Mr. Stenholm was recognized to offer and explain an amendment concerning treatment of reductions in cost of the food stamp program for budget purposes. Without objection, Mr. Stenholm asked that his amendment read: "The net reduction in outlays produced by this Act shall revert to the Treasury." Discussion occurred and by a recorded vote of 21 yeas to 23 nays, the Stenholm amendment was not adopted. See Roll Call Vote No. 8.

Mr. Volkmer was recognized to offer an amendment concerning the official heading of the titles in the Amendment in the Nature of a A Substitute. Discussion occurred and by a recorded vote of 1 yea, 38 nays, and 5 present, the Volkmer amendment was not adopted. See Roll Call Vote No. 9.

Mr. de la Garza was recognized and he offered a oral amendment which would use the term "jobs" instead of the term "workfare" in the Amendment in the Nature of a Substitute. Discussion occurred and by a voice vote the de la Garza amendment was adopted.

By a voice vote, H.R. 1135, as amended was adopted. Mr. Emerson requested a recorded vote. By a roll call vote of 26 yeas to 18 nays, and in the presence of a quorum, H.R. 1135 was ordered reported favorably to the House. See Roll Call Vote No. 10.

The Chairman thanked the Members for their perseverance and patience, and the meeting was adjourned at 12:42 a.m.

ROLL CALL VOTES

In compliance with clause 2(l)(2)(B) of rule XI of the House of Representatives, the Committee sets forth the record of the following roll call votes taken with respect to H.R. 1135:

Roll Call No. 1

Summary: Motion that the Committee postpone further consideration of H.R. 1135 until 9:30 a.m. on Wednesday, March 8, 1995.

Offered By: Mr. Volkmer.

Results: Failed by roll call vote: 19 yeas/23 nays/7 not voting.

YEAS

- | | |
|----------------------|-------------------|
| 1. Cong. de la Garza | 11. Cong. Pomeroy |
| 2. Cong. Rose | 12. Cong. Holden |
| 3. Cong. Stenholm | 13. Cong. Baesler |
| 4. Cong. Volkmer | 14. Cong. Thurman |
| 5. Cong. Johnson | 15. Cong. Bishop |

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| 6. Cong. Peterson | 16. Cong. Thompson |
| 7. Cong. Dooley | 17. Cong. Farr |
| 8. Cong. Clayton | 18. Cong. Pastor |
| 9. Cong. Minge | 19. Cong. Baldacci |
| 10. Cong. Hilliard | |

NAYS

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|--------------------|-----------------------------|
| 1. Cong. Emerson | 13. Cong. Lewis |
| 2. Cong. Gunderson | 14. Cong. Crapo |
| 3. Cong. Combest | 15. Cong. Calvert |
| 4. Cong. Allard | 16. Cong. Chenoweth |
| 5. Cong. Barrett | 17. Cong. Hostettler |
| 6. Cong. Boehner | 18. Cong. Bryant |
| 7. Cong. Ewing | 19. Cong. Latham |
| 8. Cong. Doolittle | 20. Cong. Cooley |
| 9. Cong. Goodlatte | 21. Cong. Foley |
| 10. Cong. Pombo | 22. Cong. LaHood |
| 11. Cong. Canady | 23. Cong. Roberts, Chairman |
| 12. Cong. Lucas | |

NOT VOTING

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|--------------------|-------------------|
| 1. Cong. Smith | 5. Cong. Brown |
| 2. Cong. Everett | 6. Cong. Condit |
| 3. Cong. Baker | 7. Cong. McKinney |
| 4. Cong. Chambliss | |

Roll Call No. 2

Summary: Amendment concerning a Food Stamp Block Grant Program.

Offered By: Mr. Hostettler.

Results: Failed by a roll call vote: 5 yeas/37 nays/7 not voting.

YEAS

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| 1. Cong. Doolittle | 4. Cong. Hostettler |
| 2. Cong. Goodlatte | 5. Cong. Bryant |
| 3. Cong. Chenoweth | |

NAYS

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| 1. Cong. Emerson | 20. Cong. LaHood |
| 2. Cong. Gunderson | 21. Cong. Brown |
| 3. Cong. Allard | 22. Cong. Stenholm |
| 4. Cong. Barrett | 23. Cong. Volkmer |
| 5. Cong. Boehner | 24. Cong. Johnson |
| 6. Cong. Ewing | 25. Cong. Peterson |
| 7. Cong. Pombo | 26. Cong. Dooley |
| 8. Cong. Canady | 27. Cong. Clayton |
| 9. Cong. Smith | 28. Cong. Hilliard |
| 10. Cong. Everett | 29. Cong. Pomeroy |
| 11. Cong. Lucas | 30. Cong. Holden |
| 12. Cong. Lewis | 31. Cong. Baesler |
| 13. Cong. Baker | 32. Cong. Thurman |
| 14. Cong. Crapo | 33. Cong. Bishop |
| 15. Cong. Calvert | 34. Cong. Thompson |

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| 16. Cong. Latham | 35. Cong. Farr |
| 17. Cong. Cooley | 36. Cong. Pastor |
| 18. Cong. Foley | 37. Cong. Roberts, Chairman |
| 19. Cong. Chambliss | |

NOT VOTING

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|-----------------------|-------------------|
| 1. Cong. Combest | 5. Cong. Minge |
| 2. Cong. de las Garza | 6. Cong. McKinney |
| 3. Cong. Rose | 7. Cong. Baldacci |
| 4. Cong. Condit | |

Roll Call No. 3

Summary: Amendment to protect benefits to children under the simplified food stamp program and a low-income nutrition assistance program operated by a state.

Offered By: Mr. Brown.

Results: Failed by a roll call vote: 16 yeas/26 nays/7 not voting.

YEAS

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|----------------------|--------------------|
| 1. Cong. de la Garza | 9. Cong. Hilliard |
| 2. Cong. Brown | 10. Cong. Pomeroy |
| 3. Cong. Stenholm | 11. Cong. Holden |
| 4. Cong. Volkmer | 12. Cong. Thurman |
| 5. Cong. Johnson | 13. Cong. Bishop |
| 6. Cong. Dooley | 14. Cong. Farr |
| 7. Cong. Clayton | 15. Cong. Pastor |
| 8. Cong. Minge | 16. Cong. Baldacci |

NAYS

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|--------------------|-----------------------------|
| 1. Cong. Emerson | 14. Cong. Baker |
| 2. Cong. Gunderson | 15. Cong. Crapo |
| 3. Cong. Allard | 16. Cong. Calvert |
| 4. Cong. Barrett | 17. Cong. Chenoweth |
| 5. Cong. Ewing | 18. Cong. Hostettler |
| 6. Cong. Doolittle | 19. Cong. Bryant |
| 7. Cong. Goodlatte | 20. Cong. Latham |
| 8. Cong. Pombo | 21. Cong. Foley |
| 9. Cong. Canady | 22. Cong. Chambliss |
| 10. Cong. Smith | 23. Cong. LaHood |
| 11. Cong. Everett | 24. Cong. Peterson |
| 12. Cong. Lucas | 25. Cong. Baesler |
| 13. Cong. Lewis | 26. Cong. Roberts, Chairman |

NOT VOTING

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|------------------|-------------------|
| 1. Cong. Combest | 5. Cong. Condit |
| 2. Cong. Boehner | 6. Cong. McKinney |
| 3. Cong. Cooley | 7. Cong. Thompson |
| 4. Cong. Rose | |

Roll Call No. 4

Summary: Amendment concerning the protection of the food stamp program in periods of high unemployment which would re-

move the cap for any fiscal year in which unemployment exceeds 6.5 percent in any month from October through May.

Offered By: Mr. Farr.

Results: Failed by a roll call vote: 14 yeas/28 nays/7 not voting.

YEAS

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| 1. Cong. de la Garza | 8. Cong. Pomeroy |
| 2. Cong. Stenholm | 9. Cong. Holden |
| 3. Cong. Volkmer | 10. Cong. Thurman |
| 4. Cong. Johnson | 11. Cong. Bishop |
| 5. Cong. Clayton | 12. Cong. Farr |
| 6. Cong. Minge | 13. Cong. Pastor |
| 7. Cong. Hilliard | 14. Cong. Baldacci |

NAYS

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|--------------------|-----------------------------|
| 1. Cong. Emerson | 15. Cong. Crapo |
| 2. Cong. Gunderson | 16. Cong. Calvert |
| 3. Cong. Allard | 17. Cong. Chenoweth |
| 4. Cong. Barrett | 18. Cong. Hostettler |
| 5. Cong. Ewing | 19. Cong. Bryant |
| 6. Cong. Doolittle | 20. Cong. Latham |
| 7. Cong. Goodlatte | 21. Cong. Cooley |
| 8. Cong. Pombo | 22. Cong. Foley |
| 9. Cong. Canady | 23. Cong. Chambliss |
| 10. Cong. Smith | 24. Cong. LaHood |
| 11. Cong. Everett | 25. Cong. Peterson |
| 12. Cong. Lucas | 26. Cong. Dooley |
| 13. Cong. Lewis | 27. Cong. Baesler |
| 14. Cong. Baker | 28. Cong. Roberts, Chairman |

NOT VOTING

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|------------------|-------------------|
| 1. Cong. Combest | 5. Cong. Condit |
| 2. Cong. Boehner | 6. Cong. McKinney |
| 3. Cong. Brown | 7. Cong. Thompson |
| 4. Cong. Rose | |

Roll Call No. 5

Summary: Amendment to adjust the Thrifty Food Plan by 100.6 percent in June, 1995, and 100 percent in October 1, 1996, and each October thereafter.

Offered By: Mrs. Thurman.

Results: Failed by a roll call vote: 18 yeas/24 nays/7 not voting.

YEAS

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| 1. Cong. de la Garza | 10. Cong. Pomeroy |
| 2. Cong. Stenholm | 11. Cong. Holden |
| 3. Cong. Volkmer | 12. Cong. Baesler |
| 4. Cong. Johnson | 13. Cong. Thurman |
| 5. Cong. Peterson | 14. Cong. Bishop |
| 6. Cong. Dooley | 15. Cong. Thompson |
| 7. Cong. Clayton | 16. Cong. Farr |
| 8. Cong. Minge | 17. Cong. Pastor |
| 9. Cong. Hilliard | 18. Cong. Baldacci |

NAYS

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|--------------------|-----------------------------|
| 1. Cong. Emerson | 13. Cong. Lewis |
| 2. Cong. Gunderson | 14. Cong. Baker |
| 3. Cong. Allard | 15. Cong. Crapo |
| 4. Cong. Barrett | 16. Cong. Calvert |
| 5. Cong. Ewing | 17. Cong. Chenoweth |
| 6. Cong. Doolittle | 18. Cong. Hostettler |
| 7. Cong. Goodlatte | 19. Cong. Bryant |
| 8. Cong. Pombo | 20. Cong. Latham |
| 9. Cong. Canady | 21. Cong. Foley |
| 10. Cong. Smith | 22. Cong. Chambliss |
| 11. Cong. Everett | 23. Cong. LaHood |
| 12. Cong. Lucas | 24. Cong. Roberts, Chairman |

NOT VOTING

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|------------------|-------------------|
| 1. Cong. Combest | 5. Cong. Rose |
| 2. Cong. Boehner | 6. Cong. Condit |
| 3. Cong. Cooley | 7. Cong. McKinney |
| 4. Cong. Brown | |

Roll Call No. 6

Summary: Amendment concerning children eligibility under new alien rule.

Offered By: Mr. Pastor

Results: Failed by a roll call vote: 19 yeas/24 nays/1 present/5 not voting.

YEAS

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|----------------------|--------------------|
| 1. Cong. de la Garza | 11. Cong. Pomeroy |
| 2. Cong. Stenholm | 12. Cong. Holden |
| 3. Cong. Volkmer | 13. Cong. Baesler |
| 4. Cong. Johnson | 14. Cong. Thurman |
| 5. Cong. Condit | 15. Cong. Bishop |
| 6. Cong. Peterson | 16. Cong. Thompson |
| 7. Cong. Dooley | 17. Cong. Farr |
| 8. Cong. Clayton | 18. Cong. Pastor |
| 9. Cong. Minge | 19. Cong. Baldacci |
| 10. Cong. Hilliard | |

NAYS

- | | |
|--------------------|-----------------------------|
| 1. Cong. Emerson | 13. Cong. Lewis |
| 2. Cong. Gunderson | 14. Cong. Baker |
| 3. Cong. Allard | 15. Cong. Crapo |
| 4. Cong. Barrett | 16. Cong. Calvert |
| 5. Cong. Ewing | 17. Cong. Chenoweth |
| 6. Cong. Doolittle | 18. Cong. Hostettler |
| 7. Cong. Goodlatte | 19. Cong. Bryant |
| 8. Cong. Pombo | 20. Cong. Latham |
| 9. Cong. Canady | 21. Cong. Cooley |
| 10. Cong. Smith | 22. Cong. Foley |
| 11. Cong. Everett | 23. Cong. Chambliss |
| 12. Cong. Lucas | 24. Cong. Roberts, Chairman |

PRESENT

1. Cong. LaHood

NOT VOTING

1. Cong. Combest

2. Cong. Boeher

3. Cong. Brown

4. Cong. Rose

5. Cong. McKinney

Roll Call No. 7

Summary: Amendment concerning income deductions and energy assistance.

Offered By: Mr. Pomeroy.

Results: Failed by a roll call vote: 14 yeas/30 nays/5 not voting.

YEAS

1. Cong. de la Garza

2. Cong. Volkmer

3. Cong. Johnson

4. Cong. Clayton

5. Cong. Minge

6. Cong. Hilliard

7. Cong. Pomeroy

8. Cong. Holden

9. Cong. Thurman

10. Cong. Bishop

11. Cong. Thompson

12. Cong. Farr

13. Cong. Pastor

14. Cong. Baldacci

NAYS

1. Cong. Emerson

2. Cong. Gunderson

3. Cong. Allard

4. Cong. Barrett

5. Cong. Ewing

6. Cong. Doolittle

7. Cong. Goodlatte

8. Cong. Pombo

9. Cong. Canady

10. Cong. Smith

11. Cong. Everett

12. Cong. Lucas

13. Cong. Lewis

14. Cong. Baker

15. Cong. Crapo

16. Cong. Calvert

17. Cong. Chenoweth

18. Cong. Hostettler

19. Cong. Bryant

20. Cong. Latham

21. Cong. Cooley

22. Cong. Foley

23. Cong. Chambliss

24. Cong. LaHood

25. Cong. Stenholm

26. Cong. Condit

27. Cong. Peterson

28. Cong. Dooley

29. Cong. Baesler

30. Cong. Roberts, Chairman

NOT VOTING

1. Cong. Combest

2. Cong. Boehner

3. Cong. Brown

4. Cong. Rose

5. Cong. McKinney

Roll Call No. 8

Summary: Amendment concerning treatment of reductions for budget purposes.

Offered By: Mr. Stenholm.

Results: Failed by a roll call vote: 21 yeas/23 nays/5 not voting.

YEAS

- | | |
|----------------------|--------------------|
| 1. Cong. Gunderson | 12. Cong. Hilliard |
| 2. Cong. LaHood | 13. Cong. Pomeroy |
| 3. Cong. de la Garza | 14. Cong. Holden |
| 4. Cong. Stenholm | 15. Cong. Baesler |
| 5. Cong. Volkmer | 16. Cong. Thurman |
| 6. Cong. Johnson | 17. Cong. Bishop |
| 7. Cong. Condit | 18. Cong. Thompson |
| 8. Cong. Peterson | 19. Cong. Farr |
| 9. Cong. Dooley | 20. Cong. Pastor |
| 10. Cong. Clayton | 21. Cong. Baldacci |
| 11. Cong. Minge | |

NAYS

- | | |
|--------------------|-----------------------------|
| 1. Cong. Emerson | 13. Cong. Baker |
| 2. Cong. Allard | 14. Cong. Crapo |
| 3. Cong. Barrett | 15. Cong. Calvert |
| 4. Cong. Ewing | 16. Cong. Chenoweth |
| 5. Cong. Doolittle | 17. Cong. Hostettler |
| 6. Cong. Goodlatte | 18. Cong. Bryant |
| 7. Cong. Pombo | 19. Cong. Latham |
| 8. Cong. Canady | 20. Cong. Cooley |
| 9. Cong. Smith | 21. Cong. Foley |
| 10. Cong. Everett | 22. Cong. Chambliss |
| 11. Cong. Lucas | 23. Cong. Roberts, Chairman |
| 12. Cong. Lewis | |

NOT VOTING

- | | |
|------------------|-------------------|
| 1. Cong. Combest | 5. Cong. McKinney |
| 2. Cong. Boehner | |
| 3. Cong. Brown | |
| 4. Cong. Rose | |

Roll Call No. 9

Summary: Amendment concerning the official naming of titles in the Emerson Substitute.

Offered By: Mr. Volkmer.

Results: Failed by a roll call vote: 1 yea/38 nays/5 present/5 not voting.

YEAS

1. Cong. Volkmer

NAYS

- | | |
|--------------------|-----------------------|
| 1. Cong. Emerson | 20. Cong. Latham |
| 2. Cong. Gunderson | 21. Cong. Cooley |
| 3. Cong. Allard | 22. Cong. Foley |
| 4. Cong. Barrett | 23. Cong. Chambliss |
| 5. Cong. Ewing | 24. Cong. LaHood |
| 6. Cong. Doolittle | 25. Cong. de la Garza |
| 7. Cong. Goodlatte | 26. Cong. Stenholm |
| 8. Cong. Pombo | 27. Cong. Johnson |
| 9. Cong. Canady | 28. Cong. Condit |

- | | |
|----------------------|-----------------------------|
| 10. Cong. Smith | 29. Cong. Peterson |
| 11. Cong. Everett | 30. Cong. Dooley |
| 12. Cong. Lucas | 31. Cong. Minge |
| 13. Cong. Lewis | 32. Cong. Pomeroy |
| 14. Cong. Baker | 33. Cong. Holden |
| 15. Cong. Crapo | 34. Cong. Baesler. |
| 16. Cong. Calvert | 35. Cong. Thurman |
| 17. Cong. Chenoweth | 36. Cong. Pastor |
| 18. Cong. Hostettler | 37. Cong. Baldacci |
| 19. Cong. Bryant | 38. Cong. Roberts, Chairman |

PRESENT

- | | |
|-------------------|-------------------|
| 1. Cong. Clayton | 4. Cong. Thompson |
| 2. Cong. Hilliard | 5. Cong. Farr |
| 3. Cong. Bishop | |

NOT VOTING

- | | |
|------------------|-------------------|
| 1. Cong. Combest | 5. Cong. McKinney |
| 2. Cong. Boehner | |
| 3. Cong. Brown | |
| 4. Cong. Rose | |

Roll Call No. 10

Summary: Final passage of the Amendment in the Nature of a Substitute, as amended.

Offered By: Mr. Emerson.

Results: Passed by a roll call vote: 26 yeas/18 nays/5 not voting.

YEAS

- | | |
|--------------------|-----------------------------|
| 1. Cong. Emerson | 14. Cong. Baker |
| 2. Cong. Gunderson | 15. Cong. Crapo |
| 3. Cong. Allard | 16. Cong. Calvert |
| 4. Cong. Barrett | 17. Cong. Chenoweth |
| 5. Cong. Ewing | 18. Cong. Hostettler |
| 6. Cong. Doolittle | 19. Cong. Bryant |
| 7. Cong. Goodlatte | 20. Cong. Latham |
| 8. Cong. Pombo | 21. Cong. Cooley |
| 9. Cong. Canady | 22. Cong. Foley |
| 10. Cong. Smith | 23. Cong. Chambliss |
| 11. Cong. Everett | 24. Cong. LaHood |
| 12. Cong. Lucas | 25. Cong. Baesler |
| 13. Cong. Lewis | 26. Cong. Roberts, Chairman |

NAYS

- | | |
|----------------------|--------------------|
| 1. Cong. de la Garza | 10. Cong. Hilliard |
| 2. Cong. Stenholm | 11. Cong. Pomeroy |
| 3. Cong. Volkmer | 12. Cong. Holden |
| 4. Cong. Johnson | 13. Cong. Thurman |
| 5. Cong. Condit | 14. Cong. Bishop |
| 6. Cong. Peterson | 15. Cong. Thompson |
| 7. Cong. Dooley | 16. Cong. Farr |
| 8. Cong. Clayton | 17. Cong. Pastor |
| 9. Cong. Minge | 18. Cong. Baldacci |

NOT VOTING

- | | |
|------------------|-------------------|
| 1. Cong. Combest | 5. Cong. McKinney |
| 2. Cong. Boehner | |
| 3. Cong. Brown | |
| 4. Cong. Rose | |

BUDGET ACT COMPLIANCE (SECTION 308 AND SECTION 403)

The provisions of clause 2(l)(3)(B) of rule XI of the Rules of the House of Representatives and section 308(a) of the Congressional Budget Act of 1974 (relating to estimates of new budget authority, new spending authority, or new credit authority, or increased or decreased revenues or tax expenditures) are not considered applicable. The estimate and comparison required to be prepared by the Director of the Congressional Budget Office under clause 2(l)(C)(3) of rule XI of the Rules of the House of Representatives and section 403 of the Congressional Budget Act of 1974 submitted to the Committee prior to the filing of this report are as follows:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, March 14, 1995.

Hon. PAT ROBERTS,
*Chairman, Committee on Agriculture,
House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has reviewed H.R. 1135, the Food Stamp Reform and Commodity Distribution Act, as ordered reported by the House Committee on Agriculture on March 8, 1995.

Enactment of H.R. 1135 would affect direct spending and thus would be subject to pay-as-you-go procedures under section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contacts are Dorothy Rosenbaum, who can be reached at 226-2820, and Ian McCormick, who can be reached at 226-2860.

Sincerely,

JUNE E. O'NEILL,
Director.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

1. Bill number: H.R. 1135.
2. Bill title: Food Stamp Reform and Commodity Distribution Act.
3. Bill status: As ordered reported by the House Agriculture Committee on March 8, 1995.
4. Bill purpose: To improve the commodity distribution programs of the Department of Agriculture, to reform and simplify the Food Stamp Program, and for other purposes.
5. Estimated cost to the Federal Government:

DIRECT SPENDING

The following table shows projected outlays for the Food Stamp Program under current law, the changes that would result from the bill, and the projected outlays if the bill were enacted. Table 1 (attached) provides detail on the costs and savings associated with individual provisions.

[Outlays by fiscal year, in millions of dollars]

	1995	1996	1997	1998	1999	2000
Projected spending under current law:						
Food stamps	25,120	25,930	27,400	28,900	30,390	32,030
Proposed changes:						
Food stamps	0	-1,779	-3,721	-4,477	-5,252	-6,218
Projected spending under H.R. 1135:						
Food stamps	25,120	24,151	23,697	24,423	25,138	25,812

AUTHORIZATIONS OF APPROPRIATIONS

The following table illustrates the spending levels for the consolidated commodity distribution programs authorized in H.R. 1135 and the estimated outlays if appropriation are provided.

[By fiscal year, in millions of dollars]

	1995	1996	1997	1998	1999	2000
Authorization level under current law:						
Authorization level	190	0	0	0	0	0
Estimated outlays	201	21	0	0	0	0
Proposed changes:						
Authorization level	0	300	300	300	300	300
Estimated outlays	0	253	300	300	300	300
Authorization level under H.R. 1135:						
Authorization level	0	300	300	300	300	300
Estimated outlays	201	274	300	300	300	300

Note: The costs of this bill fall within budget function 600.

6. Basis of estimate: H.R. 1135 would affect direct spending primarily by cutting benefits to food stamp households relative to current law and by restricting eligibility for legal aliens and able-bodied recipients who do not have children. Discretionary spending would result from the reauthorization and consolidation of commodity programs under Title I of the bill. The following description of the cost estimate details only the provisions of the bill with major budgetary effects.

Direct spending

Simplified Food Stamp Program. The simplified food stamp program provisions have no effect relative to current law because they depend on the creation of the Temporary Assistance for Needy Families Block Grant approved by the House Committee on Ways and Means on March 8, 1995. If this block grant were enacted, CBO estimates the net effect of the provision would be negligible because states would likely pay no more in food stamp benefits under a simplified program than they would under the regular Food Stamp Program. This would be achieved by limiting the average benefit to all food stamp households that participate in the Temporary Assistance for Needy Families Block Grant to the previous year's average benefit adjusted for increases in the maximum

benefit. Federal savings or costs are possible depending on how states implement the new block grant and the other optional food stamp provisions under this bill.

Allow 2 percent annual increase in maximum benefits. Section 205 of the bill would allow for lower annual increases in the maximum benefit for all food stamp households than under current law. Under current law, maximum benefits are increased each October to reflect the increase in the previous year's Thrifty Food Plan. CBO's economic forecast estimates an annual increase in the Thrifty Food Plan of about 3 percent between fiscal years 1995 and 2000. H.R. 1135 would limit this annual increase to 2 percent. Under that scenario, the maximum benefit in 2000 would be about 5 percent lower than it would be under current law. Average monthly benefits per person would decrease by \$1.50 in 1996 and \$6 in 2000 relative to current law. CBO estimates that food stamp outlays would decrease by \$480 million in 1996 and \$2 billion in 2000 as a result of this change.

Income deductions and energy assistance. Section 206 of the bill would freeze the standard deduction and the excess shelter deduction at \$134 and \$231 respectively. Under current law, the standard deduction is adjusted annually to reflect changes in the Consumer Price Index (CPI); the cap on the excess shelter deduction is scheduled to increase from \$231 in fiscal year 1995 to \$247 through December 1996 and to be eliminated in future years. CBO estimates the savings from the freeze of the standard deduction to be \$190 million in 1996 rising to \$1.1 billion in 2000 and the savings from the freeze of the excess shelter deduction to be \$80 million in 1995 rising to \$915 million in 2000.

Other provisions in section 206 would change the treatment of state energy assistance payments and payments from the Low Income Home Energy Assistance Program (LIHEAP). CBO estimates that, combined, these two provisions would lower food stamp outlays by about \$220 million a year.

Vehicle allowance. Section 207 would freeze the vehicle allowance at \$4,550. Under current food stamp policy, the fair market value of vehicles is counted as an asset in determining food stamp eligibility when the value is more than \$4,550. This is scheduled to rise to \$4,600 for fiscal year 1996 and \$5,000 for fiscal year 1997 and to increase in each succeeding year by the percentage change in the new car component of the CPI. CBO estimates that keeping the vehicle allowance at \$4,550 over the next five years would reduce food stamp outlays by \$10 million in 1996 and \$200 million in 2000.

Eligibility of aliens. Section 208 would deny food stamps to most legal aliens starting in fiscal year 1997, unless the alien has met the residency requirements and has an application pending for naturalization, is a veteran or member of the U.S. Armed Forces (or the spouse or dependent child of such a person), or is 75 years old or older and has resided in the United States for at least 5 years. Refugees would be denied food stamps if they have lived in the United States for more than five years. Based on quality control (QC) data for the food stamp program from 1993, CBO estimates that currently just under 5 percent of food stamp benefits go to aliens who would be no longer be eligible for food stamps under

H.R. 1135 if it were in effect today. CBO assumes, however, that some of these individuals would apply to be naturalized if H.R. 1135 were enacted and would retain food stamp eligibility. CBO estimates that 700,000 individuals would lose an average of \$88 monthly in fiscal year 1997 as a result of the provision. By 2000, CBO estimates that 400,000 individuals would lose an average of \$100 monthly. Thus, enactment of section 208 would lower food stamp outlays by \$730 million in 1997, but the savings would fall to \$490 million by 2000.

Work requirements. Section 209 would limit receipt of food stamp benefits to a period of 90 days for able-bodied individuals who do not have dependent children, and who are not working at least 20 hours a week or participating in an appropriate job activity or workfare program at least 20 hours a week. Based on the QC data and studies of caseload dynamics, CBO estimates that this provision would save \$780 million in food stamp benefits in 1996 and \$1.3 billion in 2000. These savings correspond to 800,000 individuals in an average month once the provision is phased in, losing an average monthly benefit of about \$110.

Encourage EBT systems. Section 211 would allow States that have a statewide electronic benefit (EBT) system operating to elect to receive as a block grant for a low-income nutrition assistance program either (1) the sum of the amount of the food stamp benefits paid to individuals in the State and the food stamp administrative funds paid to the state in 1994 or (2) the average amount of food stamp benefits and administrative funds paid over fiscal years 1992 to 1994. Receipt of this block grant would preclude the State's participating in the food stamp program. Maryland is the only State that now has EBT statewide. CBO estimates that by the middle of fiscal year 1997, states with 10 percent of food stamp benefits will have statewide EBT systems, and that by 2000 States with half the food stamp caseload will have this technology.

Not all the states with EBT systems, however, would be interested in receiving a block grant in lieu of participating in the federal food stamp program. CBO assumes that relative to a food stamp program where maximum benefits are increasing 2 percent a year, states with 20 percent of the food stamp caseload would choose to receive a block grant at either the 1994 level or the average of the 1992 to 1994 level of food stamp benefits paid in their state once they had statewide EBT.

Criminal forfeiture. Section 306 allows courts to impose on people convicted of certain violations sentences that would include forfeiture of property involved in the violation. The proceeds from the sale of this forfeited property could be used to reimburse federal and State agencies for costs incurred in law enforcement relating to the forfeiture. If receipts from one fiscal year were not spent until the following year, a small change in the deficit could result in a given year. Because CBO cannot predict the number of violations or the proceeds from the sale of any forfeited property, CBO cannot estimate the effect of this provision.

Interactions among provisions. The estimates of the individual provisions shown in Table 1 do not reflect the effects of other provisions of the bill. If H.R. 1135 were enacted, total savings would be less than the sum of the estimates of the individual provisions. For

example, the savings attributed to lowering the maximum benefit based on food stamp participation under current law would not be achieved for aliens who do not receive any food stamps under H.R. 1135. CBO estimates that the interactions among provisions in H.R. 1135 would reduce savings relative to the sum of the independent estimates by \$20 million in 1996 and \$666 million in 2000.

Obligations and allotments. Section 216 would cap Food Stamp Program obligations for fiscal years after 1995 at the amount CBO estimates would be program spending after enactment of H.R. 1135. Consequently, CBO does not estimate any effect of the cap because CBO estimates the program will have spending exactly at the cap. The caps could limit food stamp spending if the number of eligible individuals or the level of benefits is higher than CBO now estimates.

Authorizations of appropriations

Title I. Under current law, the Secretary of Agriculture provides food to needy families and individuals through state and local emergency feeding programs. Commodities and financial assistance for program operations are distributed to state and local organizations through four principal programs: the Emergency Food Assistance Program (EFAP), the Soup Kitchen and Food Bank Program, Assistance for Summer Camps and Charitable Institutions, and the Commodity Supplemental Food Program (CSFP). Combined, these programs received appropriations totaling \$190 million in fiscal year 1995, the last year the programs are authorized under current law.

Title I of H.R. 1135 would consolidate the four programs and would reauthorize appropriations through fiscal year 2000. Specifically, section 109 would authorize \$260 million for each of the fiscal years 1996 through 2000 to purchase, process, and distribute commodities to state and local organization. In addition, the bill would authorize \$40 million each year to cover the cost of distribution.

7. Pay-as-you-go considerations: The Balanced Budget and Emergency Deficit Control Act of 1985 sets up pay-as-you-go procedures for legislation affecting direct spending or receipts through 1998. The pay-as-you-go effects of the bill are as follows.

[By fiscal years, in millions of dollars]

	1995	1996	1997	1998
Outlays	0	-1,779	-3,721	-4,477
Receipts	(¹)	(¹)	(¹)	(¹)

¹ CBO is unable to estimate these amounts.

8. Estimated cost to state and local governments: Food Stamp benefits are federally funded. To the extent that states choose to provide benefits either through their General Assistance programs or in other ways to offset the loss of food stamp benefits to certain categories of recipients—primarily aliens and able-bodied recipients with no children who do not comply with work requirements—states could incur additional costs. Also, states may choose to invest more in workfare or other job-related programs for those recipients losing benefits because of the work requirements, thereby allowing them to retain federal food stamp benefits.

Food Stamp quality control (QC) provisions would be strengthened under H.R. 1135. CBO has not estimated any savings to the federal government from these provisions. The Secretary has the authority to allow any penalties assessed to a state because of high error rates to be spent to improve the state's food stamp administration. Even so, if higher penalties are assessed to the states under the revised QC rules, the states could incur some additional costs.

Finally, Section 306 allows courts to impose on people convicted of certain violations sentences that would include forfeiture of property involved in the violation. The proceeds from the sale of this forfeited property could be used to reimburse federal and state agencies for costs incurred in law enforcement relating to the forfeiture. To the extent that states are currently involved in these law enforcement activities and not being reimbursed for them, this provision would result in some savings to state and local governments.

9. Estimate comparison: None.

10. Previous CBO estimate: None.

11. Estimate prepared by: Dorothy Rosenbaum (Titles II and III, 226–2820) and Ian McCormick (Title I, 226–2860).

12. Estimate approved by: Paul N. Van de Water, Assistant Director for Budget Analysis.

TABLE 1: ESTIMATE OF TITLES II AND III OF H.R. 1135, THE FOOD STAMP REFORM AND COMMODITY DISTRIBUTION ACT

[Outlays by fiscal year, in millions of dollars]

	1996	1997	1998	1999	2000
Direct Spending					
Sec. 203 Simplified Food Stamp Program ¹	0	0	0	0	0
Sec. 205 Allow 2 percent annual increase to 103 percent of Oct. 1994 Thrifty Food Plan	–480	–800	–1,140	–1,560	–2,030
Sec. 206 Freeze standard deduction at \$134	–190	–400	–630	–870	–1,130
Sec. 206 Freeze excess shelter deduction	–80	–500	–710	–805	–915
Sec. 206 Freeze homeless shelter deduction	(²)	–1	–1	–2	–3
Sec. 206 Count state energy payments as income	–175	–175	–180	–180	–185
Sec. 206 Change in treatment of LIHEAP payments	–35	–40	–40	–40	–40
Sec. 207 Freeze vehicle allowance at \$4550	–10	–55	–130	–165	–200
Sec. 208 Eligibility of aliens	0	–730	–580	–490	–490
Sec. 209 Work requirements	–780	–1,110	–1,170	–1,230	–1,300
Sec. 210 Treatment of disqualified individuals	–20	–20	–20	–20	–20
Sec. 211 Encourage EBT systems	0	–40	–160	–300	–540
Sec. 212 Value of minimum allotment	0	0	–30	–30	–30
Sec. 213 Initial month benefit determination	–25	–25	–25	–25	–25
Sec. 214 Food Stamp Program management	0	0	0	0	0
Sec. 215 Work supplementation or support program	1	10	15	20	30
Sec. 306 Criminal forfeiture	(³)	(³)	(³)	(³)	(³)
Sec. 308 Double penalties for program violations	(²)	(²)	(²)	(²)	(²)
Sec. 310 Claims collection	–5	–5	–5	–5	–5
Interactions among provisions	20	170	330	440	666
Direct spending:					
Budget Authority	–1,779	–3,721	–4,477	–5,252	–6,218
Outlays	–1,779	–3,721	–4,477	–5,252	–6,218

¹The language for the simplified food stamp program seems to ensure that states will pay no more food stamp benefits under a simplified program than they would under the regular Food Stamp Program. Savings or costs are possible depending on how states implement the Temporary Assistance for Needy Families Block Grant and the food stamp provisions under this bill. CBO estimates the net effect of this provision to be zero.

²Less than \$500,000.

³CBO is unable to estimate these amounts.

INFLATIONARY IMPACT STATEMENT

Pursuant to clause 2(l)(4) of rule XI of the Rules of the House of Representatives, the Committee estimates that enactment of H.R. 1135, as amended, will have no inflationary impact on the national economy.

OVERSIGHT STATEMENT

No summary of oversight findings and recommendations made by the Committee on Government Reform and Oversight under clause 2(l)(3)(D) of rule XI of the Rules of the House of Representatives was available to the Committee with reference to the subject matter specifically addressed, H.R. 1135, as amended.

No specific oversight activities other than the hearings detailed in this report were conducted by the Committee within the definition of clause 2(b)(1) of rule X of the Rules of the House of Representatives.

CHANGES IN EXISTING LAW

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, and existing law in which no change is proposed is shown in roman):

[EMERGENCY FOOD ASSISTANCE ACT OF 1983

[AN ACT Making appropriations to provide productive employment for hundreds of thousands of jobless Americans, to hasten or initiate Federal projects and construction of lasting value to the Nation and its citizens, and to provide humanitarian assistance to the indigent for fiscal year 1983, and for other purposes

[EMERGENCY JOBS APPROPRIATION ACT, FY 1983

* * * * *

[TITLE II—EMERGENCY FOOD ASSISTANCE ACT OF 1983

[SEC. 201. This title may be cited as the “Emergency Food Assistance Act of 1983”, and is hereinafter in this title referred to as “this Act”.

[ELIGIBILITY RECIPIENT AGENCIES

[SEC. 201A. As used in this Act the term “eligible recipient agencies” means public or nonprofit organizations that administer—

[(1) activities and projects providing nutrition assistance to relieve situations of emergency and distress through the provision of food to needy persons, including low-income and unemployed persons (including the activities and projects of charitable institutions, food banks, hunger centers, soup kitchens, and similar public or private nonprofit eligible recipient agencies) hereinafter in this title referred to as “emergency feeding organizations”;

[(2) school lunch programs, summer camps for children, and other child nutrition programs providing food service;

[(3) nutrition projects operating under the Older Americans Act of 1965, including congregate nutrition sites and providers of home-delivered meals;

[(4) activities and projects that are supported under section 4 of the Agricultural and Consumer Protection Act of 1973;

[(5) activities of charitable institutions, including hospitals and retirement homes, to the extent that needy persons are served; or

[(6) disaster relief programs;

and that have been designated by the appropriate State agency, or by the Secretary, and approved by the Secretary for participation in the program established under this Act.

[AVAILABILITY OF CCC COMMODITIES

[SEC. 202. (a) Notwithstanding any other provision of law, in order to complement the domestic nutrition programs, make maximum use of the Nation's agricultural abundance, and expand and improve the domestic distribution of price-supported commodities, commodities acquired by the Commodity Credit Corporation that the Secretary of Agriculture (hereinafter referred to as the "Secretary") determines, in his discretion, are in excess of quantities needed to—

[(1) carry out other domestic donation programs,

[(2) meet other domestic obligations (including quantities needed to carry out a payment-in-kind acreage diversion program),

[(3) meet international market development and food aid commitments, and

[(4) carry out the farm price and income stabilization purposes of the Agricultural Adjustment Act of 1938, the Agricultural Act of 1949, and the Commodity Credit Corporation Charter Act,

shall be made available by the Secretary, without charge or credit for such commodities, for use by eligible recipient agencies for food assistance.

[(b) * * *

[(c) In addition to any commodities described in subsection (a), in carrying out this Act, the Secretary may use agricultural commodities and the products thereof made available under clause (2) of the second sentence of section 32 of the Act entitled "An Act to amend the Agricultural Adjustment Act, and for other purposes", approved August 24, 1935 (7 U.S.C. 612c).

[(d) Commodities made available under this Act shall include a variety of commodities and products thereof that are most useful to eligible recipient agencies, including but not limited to, dairy products, wheat or the products thereof, rice, honey and cornmeal.

[(e) Effective April 1, 1986, the Secretary shall submit semiannually to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate a report on the types and amounts of commodities made available for distribution under this Act.

[(f) Notwithstanding any other provision of law, the programs authorized by sections 153 and 1163 of the Food Security Act of 1985 (15 U.S.C. 713a-14 and 7 U.S.C. 1731 note) shall not be oper-

ated in a manner that will, in any way, reduce the quantities of dairy products that traditionally are made available to carry out this Act or any other domestic feeding program.

[(g)(1) Whenever commodities acquired by the Commodity Credit Corporation are made available for donation to domestic food programs in quantities that exceed Federal obligations, the Secretary shall give equal consideration to making donations of such commodities to emergency feeding organizations participating in the program authorized by this Act as is given to other commodity recipient agencies, taking into account the types and amounts of commodities available and appropriate for distribution to these organizations.

[(2) In determining the commodities that will be made available to emergency feeding organizations under this Act, the Secretary may distribute commodities that become available on a seasonal or irregular basis.

[AVAILABILITY OF CCC FLOUR, CORNMEAL, AND CHEESE

[SEC. 202A. Notwithstanding any other provision of law—

[(a)(1) To the extent provided in advance in an appropriation Act, in fiscal year 1988, flour, cornmeal, and cheese acquired by the Commodity Credit Corporation that are in excess of quantities needed to—

[(A) carry out other domestic donation programs,

[(B) meet other domestic obligations (including quantities needed to carry out a payment-in-kind acreage diversion program),

[(C) meet international market development and food aid commitments, and

[(D) carry out the farm price and income stabilization purposes of the Agricultural Adjustment Act of 1938, the Agricultural Act of 1949, and the Commodity Credit Corporation Charter Act,

shall be made available as provided in paragraph (2).

[(2) The Secretary shall make such excess flour, cornmeal, and cheese available in any State, in addition to the normal allotment of such commodities (adjusted by any reallocation) for fiscal year 1988 under this Act, at the request of the chief executive officer of such State who certifies to the Secretary that—

[(A)(i) individuals in such State who are eligible to receive flour, cornmeal, and cheese under this Act are not receiving such commodities distributed under other provisions of this Act, or

[(ii) the number of unemployed individuals in such State has increased during the most recent 90-day period for which unemployment statistics are available prior to the date of the certification is made, and

[(B) the distribution of flour, cornmeal, and cheese under this section in such State will not substantially displace the commercial sale of such commodities in such State.

[(b) Flour, cornmeal, and cheese made available under this section by the Secretary shall be made available without charge or credit in fiscal year 1988, in a usable form, for use by eligible recipient agencies in a State.

[(c) The amount of cheese made available under this section in fiscal year 1988 shall not exceed 14,000,000 pounds.

[(d) Whenever the Secretary receives a request submitted under subsection (a)(2), the Secretary shall immediately notify the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate that such request was received.

【PROCESSING AGREEMENTS

【INITIAL PROCESSING COSTS

【SEC. 203A. The Secretary may use funds of the Commodity Credit Corporation to pay costs of initial processing and packaging of commodities to be distributed under the program established under this Act into forms, and in quantities, suitable, as determined by the Secretary, for use in individual households when such commodities are to be consumed by individual households or for institutional use, as applicable. The Secretary may pay such costs in the form of Corporation-owned commodities equal in value to such costs. The Secretary shall ensure that any such payments in kind will not displace commercial sales of such commodities.

【FEDERAL AND STATE RESPONSIBILITIES

【SEC. 203B. (a) The Secretary shall, as expeditiously as possible, provide the commodities made available under this Act in such quantities as can be used without waste to State agencies designated by the Governor or other appropriate State official for distribution to eligible recipient agencies, except that the Secretary may provide such commodities directly to eligible recipient agencies and to private companies that process such commodities for eligible recipient agencies under section 203 and 203A of this Act. Notwithstanding any other provision of this Act, in the distribution of commodities under this Act, each State agency shall have the option to give priority to existing food bank networks and other organizations whose ongoing primary function is to facilitate the distribution of food to low-income households, including food from sources other than the Department of Agriculture.

【(b) State agencies receiving commodities under this Act shall, as expeditiously as possible, distribute such commodities, in the quantities requested (to the extent practicable), to eligible recipient agencies within their respective State. However, if a State agency cannot meet all requests for a particular commodity under this Act, the State agency shall give priority in the distribution of such commodity to eligible recipient agencies providing nutrition assistance to relieve situations of emergency and distress through the provision of food to needy persons, including low-income and unemployed persons. Each State agency shall encourage distribution of such commodities in rural areas.

【(c) Each State agency receiving commodities for individual household use under this Act shall distribute such commodities to eligible recipient agencies in the State that serve needy persons, and shall, with the approval of the Secretary, determine those persons in the State that shall qualify as needy persons eligible for such commodities.

[(d) Each State agency receiving commodities under this title may—

[(1) enter into cooperative agreements with State agencies of other States for joint provision of such commodities to an emergency feeding organization that serves needy persons in a single geographical area part of which is situated in each of such States; or

[(2) transfer such commodities to any such emergency feeding organization in the other State under such agreement.

[ASSURANCES; ANTICIPATED USE

[SEC. 203C. (a) The Secretary shall take precautions as the Secretary deems necessary to assure that any eligible recipient agency receiving commodities under this Act will provide such commodities to persons served by the eligible recipient agency and will not diminish its normal expenditures for food by reason of the receipt of such commodities. The Secretary shall also take such precautions as the Secretary deems necessary to assure that commodities made available under this Act will not displace commercial sales of such commodities or the products thereof. The Secretary shall not make commodities available for donation in any quantity or manner that the Secretary, in the Secretary's discretion, determines may, substitute for the same or any other agricultural produce that would otherwise be purchased in the market. The Secretary shall submit to Congress each year a report as to whether and to what extent such displacements or substitutions are occurring.

[(b) Commodities provided under this Act shall be distributed only in quantities that can be consumed without waste. No eligible recipient agency may receive commodities under this Act in excess of anticipated use, based on inventory records and controls, or in excess of its ability to accept and store such commodities.

[SEC. 203D. STATE AND LOCAL SUPPLEMENTATION OF COMMODITIES.

[(a) **AUTHORIZATION.**—The Secretary shall establish procedures under which State and local agencies, charitable institutions, or any other person may supplement the commodities distributed under the program authorized by this Act for use by emergency feeding organizations with nutritious and wholesome commodities that such entities or persons donate to State agencies and emergency feeding organizations for distribution, in all or part of the State, in addition to the commodities otherwise made available under this Act.

[(b) **USE OF FUNDS AND FACILITIES.**—States and emergency feeding organizations may use the funds appropriated under this Act and equipment, structures, vehicles, and all other facilities involved in the storage, handling, or distribution of commodities made available under this Act, and the personnel, both paid or volunteer, involved in such storage, handling, or distribution, to store, handle or distribute commodities donated for the use of emergency feeding organizations under subsection (a).

[(c) **VOLUNTEER WORKERS.**—State and emergency feeding organizations shall continue, to the maximum extent practical, to use volunteer workers and commodities and other foodstuffs donated by

charitable and other organizations in the operation of the program authorized by this section.

【AUTHORIZATION AND APPROPRIATIONS

【SEC. 204. (a)(1) There are authorized to be appropriated \$50,000,000 for each of the fiscal years 1991 through 1995, for the Secretary to make available to the States for State and local payments for costs associated with the distribution of commodities by emergency feeding organizations under this title. Funds appropriated under this paragraph for any fiscal year shall be allocated to the States on an advance basis, dividing such funds among the States in the same proportions as the commodities distributed under this title for such fiscal year are divided among the States. If a State agency is unable to use all of the funds so allocated to it, the Secretary shall reallocate such unused funds among the other States. States may also use funds provided under this paragraph to pay for the costs associated with the distribution of commodities under the program authorized under section 110 of the Hunger Prevention Act of 1988, and to pay for the costs associated with the distribution of additional commodities provided pursuant to section 214.

【(2) Each State shall make available to emergency feeding organizations in the State not less than 40 per centum of the funds provided as authorized in paragraph (1) that it has been allocated for a fiscal year, as necessary to pay for, or provide advance payments to cover, the direct expenses of the emergency feeding organizations for distributing commodities to needy persons, but only to the extent such expenses are actually so incurred by such organizations. As used in this paragraph, the term "direct expenses" includes costs of transporting, storing, handling, repackaging, processing, and distributing commodities incurred after they are received by the organization; costs associated with determinations of eligibility, verification, and documentation; costs of providing information to persons receiving commodities under this Act concerning the appropriate storage and preparation of such commodities; and costs of recordkeeping, auditing, and other administrative procedures required for participation in the program under this title. If a State makes a payment, using State funds, to cover direct expenses of emergency feeding organizations, the amount of such payment shall be counted toward the amount a State must make available for direct expenses of emergency feeding organizations under this paragraph.

【(3) States to which funds are allocated for a fiscal year under this subsection shall submit financial reports to the Secretary, on a regular basis, as to the use of such funds. No such funds may be used by States or emergency feeding organizations for costs other than those involved in covering the expenses related to the distribution of commodities by emergency feeding organizations.

【(4)(A) Except as provided in subparagraph (B), effective January 1, 1987, to be eligible to receive funds under this subsection, a State shall provide in cash or in kind (according to procedures approved by the Secretary for certifying these in-kind contributions) from non-Federal sources a contribution equal to the difference between—

[(i) the amount of such funds so received; and
 [(ii) any part of the amount allocated to the State and paid by the State—

[(I) to emergency feeding organizations; or

[(II) for the direct expenses of such organizations; for use in carrying out this title.

[(B)(i) Except as provided in clause (ii), subparagraph (A) shall apply to States beginning on January 1, 1987.

[(ii) If the legislature of a State does not convene in regular session before January 1, 1987, paragraph (1) shall apply to such State beginning on October 1, 1987.

[(C) Funds allocated to a State under this section may, upon State request, be allocated before States satisfy the matching requirement specified in subparagraph (A), based on the estimated contribution required. The Secretary shall periodically reconcile estimated and actual contributions and adjust allocations to the State to correct for overpayments and underpayments.

[(5) States may not charge for commodities made available to emergency feeding organizations, and may not pass on to such organizations the cost of any matching requirements, under this Act.

[(b) The value of the commodities made available under this Act and the funds of the Corporation used to pay the costs of initial processing, packaging (including forms suitable for home use), and delivering commodities to the States shall not be charged against appropriations made or authorized under this section.

[RELATIONSHIP TO OTHER PROGRAMS

[SEC. 205. (a) Section 4(b) of the Food Stamp Act of 1977 shall not apply with respect to the distribution of commodities under this Act.

[(b) Except as otherwise provided in section 203A of this Act, none of the commodities distributed under this Act shall be sold or otherwise disposed of in commercial channels in any form.

[COMMODITIES NOT INCOME

[SEC. 206. Notwithstanding any other provision of law, commodities distributed under this Act shall not be considered income or resources for any purposes under any Federal, State, or local law.

[PENALTIES

[SEC. 207. Section 4(c) of the Agriculture and Consumer Protection Act of 1973 is amended by—

[(1) striking out “or section 709” and inserting in lieu thereof “section 709”; and

[(2) inserting after “(7 U.S.C. 1446a–1)” the phrase “or the Emergency Food Assistance Act of 1983”.

[PROHIBITION AGAINST CERTAIN STATE CHARGES

[SEC. 208. Whenever a commodity is made available without charge or credit under any nutrition program administered by the Secretary for distribution within the States to eligible recipient

agencies, the State may not charge recipient agencies any amount that is in excess of the State's direct costs of storing and transporting the commodities to recipient agencies minus any amount the Secretary provides the State for the costs of storing and transporting such commodities.

【COMMODITY SUPPLEMENTAL FOOD PROGRAM ADMINISTRATIVE
EXPENSES

【SEC. 209.

【REGULATIONS

【SEC. 210. (a) The Secretary shall issue regulations within 30 days to implement this Act.

【(b) In administering this Act, the Secretary shall minimize, to the maximum extent practicable, the regulatory, recordkeeping, and paperwork requirements imposed on eligible recipient agencies.

【(c)(1) The Secretary shall as early as feasible but not later than the beginning of each fiscal year, publish in the Federal Register an estimate of the types and quantities of commodities that the Secretary anticipates are likely to be made available under the commodity distribution program under this Act during the fiscal year.

【(2) The actual types and quantities of commodities made available by the Secretary under this Act may differ from the estimates made under paragraph (1).

【(d) The regulations issued by the Secretary under this section shall include provisions that set standards with respect to liability for commodity losses under the program under this title in situations in which there is no evidence of negligence or fraud, and conditions for payment to cover such losses. Such provisions shall take into consideration the special needs and circumstances of emergency feeding organizations.

【(e) The Secretary is authorized to issue final regulations without first issuing proposed regulations (except as otherwise provided for in section 214(j) for public comment in order to carry out the provisions of sections 213 and 214. If final regulations are issued without such prior public comment the Secretary shall permit public comment on such regulations, consider pertinent comments, and make modifications of such regulations as appropriate not later than 1 year after the date of enactment of this subsection. Such final and modified regulations shall be accompanied by a statement of the basis and purpose for such regulations.

【FINALITY OF DETERMINATIONS

【SEC. 211. Determinations made by the Secretary of Agriculture under this Act and the facts constituting the basis for any donation of commodities under this Act, or the amount thereof, when officially determined in conformity with the applicable regulations prescribed by the Secretary, shall be final and conclusive and shall not be reviewable by any other officer or agency of the Government.

[PROGRAM TERMINATION

[SEC. 212. Except for section 207, this Act shall terminate on September 30, 1995.

[SEC. 213. INCORPORATION OF ADDITIONAL COMMODITIES.

[(a) IN GENERAL.—The Secretary shall administer the program authorized under this Act in a manner that incorporates into the program additional commodities purchased by the Secretary under section 214 to be distributed to States for use in such States by emergency feeding organizations, as defined in section 201A(1). Such additional commodities, to the extent practicable and appropriate, shall include commodities purchased within a given State for distribution within such State.

[(b) SUPPLEMENT COMMODITIES AVAILABLE.—The Secretary shall supplement the commodities made available to emergency feeding organizations under sections 202 and 203D(a) with nutritious and useful commodities purchased by the Secretary under section 214.

[SEC. 214. REQUIRED PURCHASES OF COMMODITIES.

[(a) PURPOSE.—It is the purpose of this section to establish a formula so that the amount, measured by their value, of additional commodities that are to be allocated to each State can be precisely calculated for fiscal years 1991 through 1995. The share of commodities, as measured by their value, to be allocated to each State shall be based 60 percent on the number of persons in households within the State having incomes below the poverty level and 40 percent on the number of unemployed persons within the State.

[(b) DEFINITIONS.—As used in this section—

[(1) ADDITIONAL COMMODITIES.—The term “additional commodities” means commodities purchased under this section in addition to the commodities otherwise made available under sections 202 and 203D(a).

[(2) AVERAGE MONTHLY NUMBER OF UNEMPLOYED PERSONS.—The term “average monthly number of unemployed persons” refers to the average monthly number of unemployed persons within each State in the most recent fiscal year for which such information is available as determined by the Bureau of Labor Statistics of the Department of Labor.

[(3) POVERTY LINE.—The term “poverty line” has the same meaning given such term in section 673(2) of the Community Services Block Grant Act (42 U.S.C. 9902(2)).

[(4) TOTAL VALUE OF ADDITIONAL COMMODITIES.—The term “total value of additional commodities” means the actual cost (including the distribution and processing costs incurred by the Secretary), as paid by the Secretary, for all additional commodities purchased under subsection (e).

[(5) VALUE OF ADDITIONAL COMMODITIES ALLOCATED TO EACH STATE.—The term “value of additional commodities allocated to each State” means the actual cost for additional commodities (including the distribution and processing costs incurred by the Secretary) as paid by the Secretary under this section and allocated to such State.

[(c) PURCHASE OF COMMODITIES.—The Secretary shall purchase a variety of nutritious and useful commodities of the types that the Secretary has the authority to acquire through the Commodity

Credit Corporation or under section 32 of the Act entitled "An Act to amend the Agricultural Adjustment Act, and for other purposes", approved August 24, 1935 (7 U.S.C. 612c note), to supplement the commodities otherwise provided under the program authorized by this Act.

[(d) TYPES AND VARIETIES.—The Secretary shall, to the extent practicable and appropriate, purchase type and varieties of commodities—

- [(1) with high nutrient density per calorie;
- [(2) that are easily and safely stored;
- [(3) that are convenient to use and consume;
- [(4) that are desired by recipient agencies; and
- [(5) that meet the requirement imposed by section 203C(a).

[(e) AMOUNTS.—To carry out this section there are authorized to be appropriated \$175,000,000 for fiscal year 1991, \$190,000,000 for fiscal year 1992, and \$220,000,000 for each of the fiscal years 1993 through 1995 to purchase, process, and distribute additional commodities under this section. Any amounts provided for fiscal years 1991 through 1995 shall be available only to the extent and in such amounts as are provided in advance in appropriations Acts.

[(f) MANDATORY ALLOTMENTS.—In each fiscal year, the Secretary shall allot—

[(1) 60 percent of the total value of additional commodities provided to States in a manner such that the value of additional commodities allocated to each State bears the same ratio to 60 percent of the total value of additional commodities as the number of persons in households within the State having incomes below the poverty line bears to the total number of persons in households within all States having incomes below such poverty line, and each State shall be entitled to receive such value of additional commodities; and

[(2) 40 percent of the total value of additional commodities provided to States in a manner such that the value of additional commodities allocated to each State bears the same ratio to 40 percent of the total value of additional commodities as the average monthly number of unemployed persons within the State bears to the average monthly number of unemployed persons within all States during the same fiscal year, and each State shall be entitled to receive such value of additional commodities.

[(g) REALLOCATION.—The Secretary shall notify each State of the amount of the additional commodities that such State is allotted to receive under subsection (f) or subsection (j) if applicable, and each State shall promptly notify the Secretary if such State determines that it will not accept any or all of the commodities made available under such allocation. On such a notification by a State, the Secretary shall reallocate and distribute the amount the State was allocated to receive under the formula prescribed in subsection (f) but declines to accept. The Secretary shall further establish procedures to permit States to decline to receive portions of such allocation during each fiscal year as the State determines is appropriate and the Secretary shall reallocate and distribute such allocation. In the event of any drought, flood, hurricane, or other natural disaster affecting substantial numbers of persons in a State, county, or par-

ish, the Secretary may request that States unaffected by such a disaster consider assisting affected States by allowing the Secretary to reallocate commodities to which each such unaffected State is entitled to States containing areas adversely affected by the disaster.

[(h) ADMINISTRATION.—Subject to subsections (e) and (f), or subsection (j) if applicable, purchases under this section shall be made by the Secretary at such times and under such conditions as the Secretary determines appropriate within each fiscal year. All such commodities purchased for each fiscal year shall be delivered at reasonable intervals to States based on the allotments calculated under subsection (f), or reallocated under subsection (g), or calculated under subsection (j), if applicable, before the end of such fiscal year. Each State shall be entitled to receive that value of additional commodities that results from the application of the formula set forth in this section to the total value of additional commodities.

[(i) MAINTENANCE OF EFFORT.—If a State uses its own funds to provide commodities or services to organizations receiving funds or services under this section, such State shall not diminish the level of support it provides to such organizations or reduce the amount of funds available for other nutrition programs in the State in each fiscal year.

[(j) NEW FORMULA.—Notwithstanding the provisions of this section that set forth the specific formula for allocating additional commodities to each State, the Secretary is authorized to promulgate a different precise formula, after prior notice and comment as required by section 553 of title 5, United States Code, only to the extent that—

[(1) any such formula is effective at the outset of, and throughout any given fiscal year;

[(2) any such formula can be used to precisely calculate the amount of commodities to be made available to each State by the Secretary for each fiscal year; and

[(3) such formula provides that each State is entitled to receive that value of additional commodities which results from the application of such formula to the total value of additional commodities.

[SEC. 215. SETTLEMENT AND ADJUSTMENT OF CLAIMS.

[(a) IN GENERAL.—The Secretary or a designee of the Secretary shall have the authority to—

[(1) determine the amount of, settle, and adjust any claim arising under this Act; and

[(2) waive such a claim if the Secretary determines that to do so will serve the purposes of this Act.

[(b) LITIGATION.—Nothing contained in this section shall be construed to diminish the authority of the Attorney General of the United States under section 516 of title 28, United States Code, to conduct litigation on behalf of the United States.]

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THE HUNGER PREVENTON ACT OF 1988**TITLE I—EMERGENCY HUNGER PREVENTION**

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SUBTITLE B—SOUP KITCHENS AND OTHER EMERGENCY FOOD AID**SEC. 110. SOUP KITCHENS AND FOOD BANKS.**

[(a) PURPOSE.—It is the purpose of this section to establish a formula so that the amount, measured by their value, of additional commodities that are to be provided to each State for redistribution to soup kitchens and food banks can be precisely calculated for fiscal years 1989 through 1995. The share of commodities, as measured by their value, to be provided to each State shall be based 60 percent on the number of persons in households within the State having incomes below the poverty level and 40 percent on the number of unemployed persons within the State.

[(b) DEFINITIONS.—As used in this section—

[(1) ADDITIONAL COMMODITIES.—The term “additional commodities” means commodities purchased under this section in addition to the commodities otherwise made available to soup kitchens and food banks providing nutrition assistance to relieve situations of emergency and distress.

[(2) AVERAGE MONTHLY NUMBER OF UNEMPLOYED PERSONS.—The term “average monthly number of unemployed persons” refers to the average monthly number of unemployed persons within each State in the most recent fiscal year for which such information is available as determined by the Bureau of Labor Statistics of the Department of Labor.

[(3) FOOD BANKS.—The term “food bank” refers to public and charitable institutions that maintain an established operation involving the provision of food or edible commodities, or the products thereof, to food pantries, soup kitchens, hunger relief centers, or other food or feeding centers that provide meals or food to needy persons on a regular basis as an integral part of their normal activities.

[(4) FOOD PANTRY.—The term “food pantry” means a public or private nonprofit organization that distributes food to low-income and unemployed households, including food from sources other than the Department of Agriculture, to relieve situations of emergency and distress.

[(5) POVERTY LINE.—The term “poverty line” has the same meaning given such term in section 673(2) of the Community Services Block Grant Act (42 U.S.C. 9902(2))

[(6) SECRETARY.—The term “Secretary” means the Secretary of Agriculture.

[(7) SOUP KITCHENS.—The term “soup kitchens” refers to public and charitable institutions that maintain an established feeding operation to provide food to needy homeless persons on a regular basis as an integral part of their normal activities.

[(8) TOTAL VALUE OF ADDITIONAL COMMODITIES.—The term “total value of additional commodities” means the actual cost (including the processing and distribution costs of the Sec-

retary), as paid by the Secretary, for all additional commodities purchased under subsection (c).

[(9) VALUE OF ADDITIONAL COMMODITIES ALLOCATED TO A STATE.—The term “value of additional commodities allocated to a State” means the actual cost for additional commodities (including the processing and distribution costs of the Secretary) as paid by the Secretary for commodities purchased under this section and allocated to such State.

[(c) AMOUNTS.—

[(1) 1991 FISCAL YEAR.—During fiscal year 1991, the Secretary shall spend \$32,000,000, to purchase, process, and distribute additional commodities to States for distribution to soup kitchens and food banks within a given State that provide nutrition assistance to relieve situations of emergency and distress through the provision of food and meals to needy persons and to other institutions that can demonstrate, in accordance with subsection (j)(3), that they serve predominantly needy persons.

[(2) 1992 THROUGH 1994 FISCAL YEARS.—There are authorized to be appropriated \$40,000,000 for each of the fiscal years 1992 through 1995 to purchase, process, and distribute additional commodities to States for distribution to soup kitchens and food banks within a given State that provide nutrition assistance to relieve situations of emergency and distress through the provision of food and meals to needy persons and to other institutions that can demonstrate, in accordance with subsection (j)(3), that they serve predominantly needy persons. Any amounts provided for fiscal years 1992 through 1995 shall be available only to the extent and in such amounts as are provided in advance in appropriations Acts.

[(3) FOOD PANTRIES.—In instances in which food banks do not operate within a given State, the State may distribute commodities to food pantries.

[(d) MANDATORY ALLOTMENTS.—In each fiscal year, the Secretary shall allot—

[(1) 60 percent of the total value of additional commodities provided to States in a manner such that the value of additional commodities allocated to each State bears the same ratio to 60 percent of the total value of additional commodities as the number of persons in households within the State having incomes below the poverty line bears to the total number of persons in households within all States having incomes below such poverty line, and each State shall be entitled to receive such value of additional commodities; and

[(2) 40 percent of the total value of additional commodities provided to States in a manner such that the value of additional commodities allocated to each State bears the same ratio to 40 percent of the total value of additional commodities as the average monthly number of unemployed persons within the State bears to the average monthly number of unemployed persons within all States during the same fiscal year, and each State shall be entitled to receive such value of additional commodities.

[(e) ALLOCATION AND REALLOCATION.—

[(1) NOTIFICATION BY SECRETARY.—The Secretary shall notify each State of the amount of the allocation that the State is entitled to receive under subsection (d).

[(2) NOTIFICATION BY STATE.—

[(A) ACCEPTANCE AMOUNT.—A State shall promptly notify the Secretary of the amount of commodities that will be accepted by soup kitchens or food banks. In determining such amount, the State shall give priority to institutions that provide meals to homeless individuals.

[(B) LESS THAN FULL AMOUNT ACCEPTED.—A State shall promptly notify the Secretary if the State determines that it will not accept the full amount of the allocation under subsection (d) (or a portion thereof).

[(3) REALLOCATION.—Whenever the Secretary receives a notification under paragraph (2)(B), the Secretary shall reallocate and distribute the amount of such allocation (or any portion thereof) not accepted, in a fair and equitable manner among the States that accept the full amount of their respective allocations under subsection (d) and that have requested receipt of additional allocations.

[(f) ADMINISTRATION.—Subject to subsection (c), purchases under this section shall be made by the Secretary at such times and under such conditions as the Secretary determines to be appropriate within each fiscal year. All commodities purchased under subsection (c) within each fiscal year shall be provided to States prior to the end of each such fiscal year.

[(g) MAINTENANCE OF EFFORT.—If a State uses its own funds to provide commodities or services under this section, such State funds shall not be obtained from existing Federal or State programs.

[(h) INCREASED COMMODITY LEVELS AND MAINTENANCE OF EFFORT.—

[(1) INCREASED COMMODITY LEVELS.—Commodities provided under the amendments made by section 104 and under this section shall be in addition to the commodities otherwise provided (through commodity donations traditionally provided by the Secretary or the Commodity Credit Corporation) to emergency feeding organizations. The value of the commodity donations traditionally provided to such organizations shall not be diminished as a result of the purchases required by the amendments made by section 104 and this section.

[(2) FEDERAL MAINTENANCE.—The purchase of commodities required under the amendments made by section 104 and under this section, shall not be made in such a manner as to cause any reduction in the value of the bonus commodities that would otherwise be distributed, in the absence of section 104 and this section, to charitable institutions, or to any other domestic food assistance program, such as the programs authorized under the National School Lunch Act, the Child Nutrition Act of 1966, the Food Stamp Act of 1977, or sections 4 and 5 of the Agriculture and Consumer Protection Act of 1973.

[(3) OTHER MAINTENANCE.—Local agencies receiving commodities purchased under this section shall provide an assurance to the State that donations of foodstuffs from other

sources shall not be diminished as a result of the receipt for commodities under this section.

[(i) NEW FORMULA.—Notwithstanding the provisions of this section that set forth the specific formula for allocating additional commodities to each State, the Secretary is authorized to establish a different precise formula, after prior notice and comment as required by section 553 of title 5, United States Code, only to the extent that—

[(1) any such formula is effective at the outset of, and throughout any given fiscal year;

[(2) any such formula can be used to precisely calculate the amount of commodities to be made available to each State by the Secretary for each fiscal year; and

[(3) such formula provides that each State is entitled to receive that value of additional commodities which results from the application of such formula to the total value of additional commodities.

[(j) PRIORITY SYSTEM FOR STATE DISTRIBUTION OF COMMODITIES.—

[(1) SOUP KITCHENS.—In distributing commodities under this section, the distributing agency, under procedures determined appropriate by the distributing agency, shall offer, or otherwise make available, its full allocation of commodities for distribution to soup kitchens and other like organizations that serve meals to homeless persons, and to food banks for distribution to such organizations.

[(2) INSTITUTIONS THAT SERVE ONLY LOW-INCOME RECIPIENTS.—If distributing agencies determine that they will not likely exhaust their allocation of commodities under this section through distribution to institutions referred to in paragraph (1), the distributing agencies shall make the remaining commodities available to food banks for distribution to institutions that distribute commodities to the needy. When such institutions distribute commodities to individuals for home consumption, eligibility for such commodities shall be determined through a means test as determined appropriate by the State distributing agency.

[(3) OTHER INSTITUTIONS.—If the distributing agency's commodity allocation is not likely to be exhausted after distribution under paragraphs (1) and (2) (as determined by the food bank), food banks may distribute the remaining commodities to institutions that serve meals to needy persons and do not employ a means test to determine eligibility for such meals, provided that the organizations have documented, to the satisfaction of the food bank, that the organizations do, in fact, serve predominantly needed persons.

[(k) SETTLEMENT AND ADJUSTMENT OF CLAIMS.—

[(1) IN GENERAL.—The Secretary or a designee of the Secretary shall have the authority to—

[(A) determine the amount of, settle, and adjust any claim arising under this section; and

[(B) waive such a claim if the Secretary determines that to do so will serve the purposes of this section.

[(2) LITIGATION.—Nothing contained in this subsection shall be construed to diminish the authority of the Attorney General of the United States under section 516 of title 28, United States Code, to conduct litigation on behalf of the United States.]

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TITLE II—NUTRITION IMPROVEMENTS

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[SUBTITLE C—FOOD PROCESSING AND DISTRIBUTION

[SEC. 220. ENCOURAGEMENT OF FOOD PROCESSING AND DISTRIBUTION BY ELIGIBLE RECIPIENT AGENCIES.

[(a) SOLICITATION OF APPLICATIONS.—

[(1) IN GENERAL.—Not later than 60 days after the date of enactment of this Act, the Secretary of Agriculture shall, to the extent that the Commodity Credit Corporation's inventory levels permit, solicit applications, in accordance with paragraph (2), for surplus commodities available for distribution under section 202 of the Emergency Food Assistance Act of 1983 (7 U.S.C. 612c note).

[(2) REQUIREMENTS.—The solicitation by the Secretary of Agriculture under paragraph (1) shall be in the form of a request that any eligible recipient agency (as defined in section 201A of the Emergency Food Assistance Act of 1983) submit an application to the Secretary that shall include an assurance that such agency will—

[(A) process any agricultural commodity received in response to such application into end-use products suitable for distribution through the Emergency Food Assistance Program;

[(B) package such products for use by individual households; and

[(C) distribute such products to State agencies responsible for the administration of the Emergency Food Assistance Program, at not cost to the State agency, for distribution through the Emergency Food Assistance Program.

[(3) PROHIBITION ON PAYMENT OF PROCESSING COSTS.—Funds made available under section 204 of the Emergency Food Assistance Act of 1983 (7 U.S.C. 612c note) or funds of the Commodity Credit Corporation shall not be used to pay any costs incurred for the processing, storage, transportation or distribution of the commodities or end-use products prior to their delivery to the State agency.

[(b) REVIEW OF APPLICATIONS.—

[(1) TIME OF REVIEW.—Not later than 60 days after the Secretary of Agriculture receives an application solicited under subsection (a), the Secretary shall approve or disapprove such application.

[(2) NOTICE OF DISAPPROVAL.—If the Secretary disapproves the application submitted under subsection (a), the Secretary shall inform the applicant of the reasons for such disapproval.]

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TITLE V—DEMONSTRATION PROJECTS

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[SEC. 502. FOOD BANK DEMONSTRATION PROJECTS.

[(a) IN GENERAL.—The Secretary of Agriculture may carry out demonstration projects to provide and redistribute to needy individuals and families through community food banks and other charitable food banks—

[(1) agricultural commodities or the products thereof made available under section 416 of the Agricultural Act of 1949 (7 U.S.C. 1431); and

[(2) to the extent practicable, agricultural commodities or the products thereof made available under section 32 of the Act entitled “An Act to amend the Agricultural Adjustment Act, and for other purposes”, approved August 24, 1935 (7 U.S.C. 612c) [this section].

[(b) FOOD TYPES.—The Secretary shall determine the quantities, varieties, and types of agricultural commodities and products thereof to be made available to community food banks under this section.

[(c) REPORT.—Not later than July 1, 1990, the Secretary shall submit to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate, a report describing any demonstration projects carried out under this section. The report shall include an analysis and evaluation of the distribution and redistribution of food under the demonstration projects and the feasibility of expanding the projects to other community food banks.

[(d) TERMINATION.—The authority provided under this section shall terminate on September 30, 1990.

[(e) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this section, \$400,000 for each of the fiscal years 1989 through 1990.]

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SECTION 4 OF THE COMMODITY DISTRIBUTION REFORM ACT AND WIC AMENDMENTS OF 1987

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[SEC. 4. FOOD BANK PROJECT.

[(a) COMMUNITY FOOD BANKS.—The Secretary shall carry out no less than one demonstration project to provide and redistribute agricultural commodities and food products thereof as authorized under section 32 of the Act entitled “An Act to amend the Agricultural Adjustment Act, and for other purposes”, approved August 24, 1935 (7 U.S.C. 612c), to needy individuals and families through community food banks. The Secretary may use a State agency or any other food distribution system for such provision or redistribu-

tion of section 32 agricultural commodities and food products through community food banks under a demonstration project.

[(b) RECORDKEEPING AND MONITORING.—Each food bank participating in the demonstration project under this section shall establish a recordkeeping system and internal procedures to monitor the use of agricultural commodities and food products provided under this section. The Secretary shall develop standards by which the feasibility and effectiveness of the projects shall be measured, and shall conduct an ongoing review of the effectiveness of the projects.

[(c) DETERMINATION OF QUANTITIES, VARIETIES, AND TYPES OF COMMODITIES.—The Secretary shall determine the quantities, varieties, and types of agricultural commodities and food products to be made available under this section.

[(b) EFFECTIVE PERIOD.—This section shall be effective for the period beginning on the date of enactment of this Act.]

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SECTION 3 OF THE CHARITABLE ASSISTANCE AND FOOD BANK ACT OF 1987

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[SEC. 3. FOOD BANK DEMONSTRATION PROJECT.]

[(a) The Secretary of Agriculture shall carry out no less than one demonstration project to provide and redistribute agricultural commodities and food products thereof as authorized under section 32 of the Act entitled 'An Act to amend the Agricultural Adjustment Act, and for other purposes', approved August 24, 1935, as amended (7 U.S.C. 612c), to needy individuals and families through community food banks. The Secretary may use a State agency or any other food distribution system for such provision or redistribution of section 32 agricultural commodities and food products through community food banks under a demonstration project.

[(b) Each food bank participating in the demonstration projects under this section shall establish a recordkeeping system and internal procedures to monitor the use of agricultural commodities and food products provided under this section. The Secretary shall develop standards by which the feasibility and effectiveness of the project shall be measured, and shall conduct an ongoing review of the effectiveness of the projects.

[(c) The Secretary shall determine the quantities, varieties, and types of agricultural commodities and food products to be made available under this section.

[(d) This section shall be effective for the period beginning on the date of enactment of this Act and ending on December 31, 1990.

[(e) The Secretary shall submit annual progress reports to Congress beginning on July 1, 1988, and a final report on July 1, 1990, regarding each demonstration project carried out under this section. Such reports shall include analyses and evaluations of the provision and redistribution of agricultural commodities and food products under the demonstration projects. In addition, the Secretary shall include in the final report any recommendations regarding improvements in the provision and redistribution of agricultural commodities and food products to community food banks and the feasibility of expanding such method of provisions and re-

distribution of agricultural commodities and food products to other community food banks.】

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THE FOOD SECURITY ACT OF 1985

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TITLE XV—FOOD STAMP AND RELATED PROVISIONS

* * * * *

SEC. 1562. (a) * * *

* * * * *

(d) Notwithstanding any other provision of law, in implementing to commodity supplemental food program under [section 4 of the Agriculture and Consumer Protection Act of 1973] *section 110 of the Commodity Distribution Act of 1995*, the Secretary of Agriculture shall allow agencies distributing agricultural commodities to low-income elderly people under such program on the date of enactment of this Act to continue such distribution at levels no lower than existing caseloads.

* * * * *

THE AGRICULTURAL AND CONSUMER PROTECTION ACT OF 1973

* * * * *

SEC. 4. (a) Notwithstanding any other provision of law, the Secretary may, during fiscal year 1991 through 1995 purchase and distribute sufficient agricultural commodities with funds appropriated from the general fund of the Treasury to maintain the traditional level of assistance for food assistance programs as are authorized by law, including but not limited to distribution to [institutions (including hospitals and facilities caring for needy infants and children), supplemental feeding programs serving women, infants and children or elderly persons, or both, wherever located, disaster areas, summer camps for children] *disaster areas* the United States Trust Territory of the Pacific Islands, and Indians, whenever a tribal organization requests distribution of federally donated foods pursuant to section 4(b) of the Food Stamp Act of 1977.

In providing for commodity distribution to Indians, the Secretary shall improve the variety and quantity of commodities supplied to Indians in order to provide them an opportunity to obtain a more nutritious diet.

* * * * *

(c) Whoever embezzles, willfully misapplies, steals or obtains by fraud any agricultural commodity or its products (or any funds, assets, or property deriving from donation of such commodities) provided under this section, or under section 416 of the Agricultural Act of 1949 (7 U.S.C. 1431), section 32 of the Act of August 24, 1935 (7 U.S.C. 612c), section 709 of the Food and Agriculture Act of 1965 (7 U.S.C. 1446a-1), or the [Emergency Food Assistance Act of 1983] *Commodity Distribution Act of 1995*, whether received directly or indirectly from the United States Department of Agri-

culture, or whoever receives, conceals, or retains such commodities, products, funds, assets, or property for personal use or gain, knowing such commodities, products, funds, assets, or property have been embezzled, willfully misapplied, stolen, or obtained by fraud shall, if such commodities, products, funds assets or property are of a value of \$100 or more, be fined not more than \$10,000 or imprisoned not more than five years, or both, or if such commodities, products, funds, assets, or property are of value of less than \$100, shall be fined not more than \$1,000 or imprisoned for not more than one year, or both.”

【SEC. 5. (a) In carrying out the supplemental feeding program (hereinafter referred to as the “commodity supplemental food program”) under section 4 of this Act, the Secretary (1) may institute two pilot projects directed at low-income elderly persons, including, where feasible, distribution of commodities to such persons in their homes; (2) shall provide to the State agencies administering the commodity supplemental food program, for each of the fiscal years 1991 through 1995, funds appropriated from the general fund of the Treasury in amounts equal to the administrative costs of State and local agencies in operating the program, except that the funds provided to State agencies each fiscal year may not exceed 20 percent of the amount appropriated for the commodity supplemental food program.

【(b) During the first three months of any commodity supplemental food program, or until such program reaches its projected caseload level, whichever comes first, the Secretary shall pay those administrative costs necessary to commence the program successfully: *Provided*, That in no event shall administrative costs paid by the Secretary for any fiscal year exceed the limitation established in subsection (a) of this section.

【(c) Administrative costs for the purposes of the commodity supplemental food program shall include, but not be limited to, expenses for information and referral, operation, monitoring, nutrition education, start-up costs, and general administration, including staff, warehouse, and administration of the State or local office.

【(d)(1) During each fiscal year the commodity supplemental food program is in operation, the types and varieties of commodities and their proportional amounts shall be determined by the Secretary, but, if the Secretary proposes to make any significant changes in the types, varieties, or proportional amounts from those that were available or were planned at the beginning of the fiscal year (or as were available during the fiscal year ending June 30, 1976, whichever is greater) the Secretary shall report such changes before implementation to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate.

【(2) Notwithstanding any other provision of law, the Commodity Credit Corporation shall, to the extent that the Commodity Credit Corporation inventory levels permit, provide not less than 9,000,000 pounds of cheese and not less than 4,000,000 pounds of nonfat dry milk in each of the fiscal years 1991 through 1995 to the Secretary of Agriculture. The Secretary shall use such amounts of cheese and nonfat dry milk to carry out the commodity supplemental food program before the end of each fiscal year.

[(e) The Secretary of Agriculture is authorized to issue such regulations as may be necessary to carry out the commodity supplemental food program.

[(f) The Secretary shall, in any fiscal year, approve applications of additional sites for the program including sites that serve only elderly persons, in areas in which the program currently does not operate to the full extent that this can be done within the appropriations available for the program for the fiscal year and without reducing actual participation levels (including participation of elderly persons under subsection (g)) in areas in which the program is in effect.

[(g) If a local agency that administers the commodity supplemental food program determines that the amount of funds made available to the agency to carry out this section exceeds the amount of funds necessary to provide assistance under such program to women, infants, and children, the agency, with the approval of the Secretary, may permit low-income elderly persons (as defined by the Secretary) to participate in and be served by such program.

[(h) Each State agency administering a commodity supplemental food program serving women, infants, and children shall—

[(1) ensure that written information concerning food stamps, the program for aid to families with dependent children under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.), and the child support enforcement program under part D of title IV of the Social Security Act (42 U.S.C. 651 et seq.) is provided on at least one occasion to each adult who applies for or participates in the commodity supplemental food program;

[(2) provide each local agency with materials showing the maximum income limits, according to family size, applicable to pregnant women, infants, and children up to age 6 under the medical assistance program established under title XIX of the Social Security Act (42 U.S.C. 1396 et seq.) (hereinafter referred to in this section as the 'medicaid program') which materials may be identical to those provided under section 17(e)(3) of the Child Nutrition Act of 1966 (42 U.S.C. 1786(e)(3)); and

[(3) ensure that local agencies provide to pregnant, breast feeding and post partum women, and adults applying on behalf of infants or children, who apply to the commodity supplemental food program, or who reapply to such program, written information about the medicaid program and referral to the program or to agencies authorized to determine presumptive eligibility for the medicaid program, if the individuals are not participating in the medicaid program.

[(i) Each State agency administering a commodity supplemental food program serving elderly persons shall ensure that written information is provided on at least one occasion to each elderly participant in or applicant for the commodity supplemental food program for the elderly concerning—

[(1) food stamps provided under the Food Stamp Act of 1977 (7 U.S.C. 2011 et seq.);

[(2) the supplemental security income benefits provided under title XVI of the Social Security Act (42 U.S.C. 1381 et seq.); and

[(3) medical assistance provided under title XIX of such Act (42 U.S.C. 1396 et seq.) (including medical assistance provided to a qualified medicare beneficiary (as defined in section 1905(p) of such Act (42 U.S.C. 1396d(5))

[(j)(1) If the Secretary must pay a significantly higher than expected price for one or more types of commodities purchased under the commodity supplemental food program, the Secretary shall promptly determine whether the price is likely to cause the number of persons that can be served in the program in a fiscal year to decline.

[(2) If the Secretary determines that such a decline would occur, the Secretary shall promptly notify the State agencies charged with operating the program of the decline and shall ensure that a State agency notify all local agencies operating the program in the State of the decline.

[(k)(1) The Secretary or a designee of the Secretary shall have the authority to—

[(A) determine the amount of, settle, and adjust any claim arising under the commodity supplemental food program; and

[(B) waive such a claim if the Secretary determines that to do so will serve the purposes of the program.

[(2) Nothing contained in this subsection shall be construed to diminish the authority of the Attorney General of the United States under section 516 of title 28, United States Code, to conduct litigation on behalf of the United States.]

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THE FOOD, AGRICULTURE, CONSERVATION, AND TRADE ACT OF 1990

* * * * *

TITLE XVII—FOOD STAMP AND RELATED PROVISIONS

* * * * *

SEC. 1773. (a)

* * * * *

[(f) REPORT ON ENTITLEMENT COMMODITY PROCESSING.—

[(1) IN GENERAL.—Not later than January 1, 1992, the Comptroller General of the United States shall submit a report regarding processing of entitlement commodities used in child nutrition programs to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate.

[(2) CONSULTATION.—The Comptroller General shall consult with representatives of State and Federal commodity distribution authorities, local elected school authorities, local school food service authorities and food processors with experience providing service to child nutrition programs regarding the scope and design of the report.

[(3) EVALUATION.—The report shall evaluate the extent to which—

[(A) processing of entitlement commodities occurs in the States;

[(B) general requirements for participation in the processing vary among States; and

[(C) entitlement commodity recipients are satisfied with access to and services provided through entitlement commodity processing.]

* * * * *

THE FOOD STAMP ACT OF 1977

* * * * *

TITLE XVII—FOOD STAMP AND RELATED PROVISIONS

* * * * *

ESTABLISHMENT OF THE FOOD STAMP PROGRAM

SEC. 4. (a)(1) Subject to the availability of funds appropriated under section 18 of this Act, the Secretary is authorized to formulate and administer a food stamp program under which, at the request of the State agency, eligible households within the State shall be provided an opportunity to obtain a more nutritious diet through the issuance to them of an allotment, except that a State may not participate in the food stamp program if the Secretary determines that State or local sales taxes are collected within that State on purchases of food made with coupons issued under this Act. The coupons so received by such households shall be used only to purchase food from retail food stores which have been approved for participation in the food stamp program. Coupons issued and used as provided in this Act shall be redeemable at face value by the Secretary through the facilities of the Treasury of the United States.

(2) *At the request of the State agency, a State may operate a program, as provided in section 24, within the State or any political subdivisions within the State in which households with one or more members receiving regular cash benefits under the program established by the State under the Temporary Assistance for Needy Families Block Grant be issued food stamp benefits in accordance with the rules and procedures established—*

(A) by the State under the Temporary Assistance for Needy Families Block Grant or this Act; or

(B) under the food stamp program.

* * * * *

SEC. 24. SIMPLIFIED FOOD STAMP PROGRAM.

(a) *If a State elects to operate a program under section 4(a)(2) within the State or any political subdivision within the State—*

(1) households in which all members receive regular cash benefits under the program established by the State under the Temporary Assistance for Needy Families Block Grant shall be automatically eligible to participate in the food stamp program;

(2) benefits under such program shall be determined under the rules and procedures established by the State or political subdivision under the Temporary Assistance for Needy Families Block Grant or under the food stamp program, subject to subsection (g).

(b) In approving a State plan to carry out a program under section 4(a)(2), the Secretary shall certify that the average level of food stamp benefits per household participating in the program under such section for the State or political subdivision in which such program is in operation is not expected to exceed the average level of food stamp benefits per household that received benefits under the program established by a State under part A of title IV of the Social Security Act in such area in the preceding fiscal year, adjusted for any changes in the thrifty food plan under section 3(o). The Secretary shall compute the permissible average level of food stamp benefits per household each year for each State or political subdivision in which such program is in operation and may require a State to report any information necessary to make such computation.

(c) When the Secretary determines that the average level of food stamp benefits per household provided by the State or political subdivision under such program has exceeded the permissible average level of food stamp benefits per household for the State or political subdivision in which the program was in operation, the State or political subdivision shall pay to the Treasury of the United States the value of the food stamp benefits in excess of the permissible average level of food stamp benefits per household in the State or political subdivision within 90 days after the notification of such excess payments.

(d)(1) A household against which a penalty is imposed (including a reduction in benefits or disqualification) for noncompliance with the program established by the State under the Temporary Assistance for Needy Families Block Grant may have the same penalty imposed against it (including a reduction in benefits or disqualification) in the program administered under this section.

(2) If the penalty for noncompliance with the program established by the State under the Temporary Assistance for Needy Families block grant is a reduction in benefits in such program, the household shall not receive an increased allotment under the program administered under this section as a result of a decrease in the household's income (as determined by the State under this section) caused by such penalty.

(3) Any household disqualified from the program administered under this subsection may, after such disqualification period has expired, apply for food stamp benefits under this Act and shall be treated as a new applicant.

(e) If a State or political subdivision, at its option, operates a program under section 4(a)(2) for households that include any member who does not receive regular cash benefits under the program established by the State under the Temporary Assistance for Needy Families Block Grant, the Secretary shall ensure that the State plan provides that household eligibility shall be determined under this Act, benefits may be determined under the rules and procedures established by the State under the Temporary Assistance for Needy Families Block Grant or this Act, and benefits provided under this section shall be equitably distributed among all household members.

(f)(1) Under the program operated under section 4(a)(2), the State may elect to provide cash assistance in lieu of allotments to all households that include a member who is employed and whose em-

ployment procedures for the benefit of the member's household income that satisfies the requirements of paragraph (2).

(2) The State, in electing to provide cash assistance under paragraph (1), at a minimum shall require that such earned income is—

(A) not less than \$350 per month;

(B) earned from employment provided by a nongovernmental employer, as determined by the State; and

(C) received from the same employer for a period of employment of not less than 3 consecutive months.

(3) If a State that makes the election described in paragraph (1) identifies each household that receives cash assistance under this subsection—

(A) the Secretary shall pay to the State an amount equal to the value of the allotment that such household would be eligible to receive under this section but for the operation of this subsection;

(B) the State shall provide such amount to the household as cash assistance in lieu of such allotment; and

(C) for purposes of the food stamp program (other than this section and section 4(a)(2))—

(i) such cash assistance shall be considered to be an allotment; and

(ii) such household shall not receive any other food stamp benefit for the period for which such cash assistance is provided.

(4) A State that makes the election in paragraph (1) shall—

(A) increase the cash benefits provided to households under this subsection to compensate for any State or local sales tax that may be collected on purchases of food by any household receiving cash benefits under this subsection, unless the Secretary determines on the basis of information provided by the State that the increase is unnecessary on the basis of the limited nature of the items subject to the State or local sales tax; and

(B) pay the cost of any increase in cash benefits required by paragraph (1).

(5) After a State operates a program under this subsection for 2 years, the State shall provide to the Secretary a written evaluation of the impact of cash assistance.

(g) In operating a program under section 4(a)(2), the State or political subdivision may follow the rules and procedures established by the State or political subdivision under the Temporary Assistance for Needy Families Block Grant or under the food stamp program, except that the State or political subdivision shall comply with the requirements of—

(1) subsections (a) through (g) of section 7 (relating to the issuance and use of coupons);

(2) section 8(a) (relating to the value of allotments, except that a household's income may be determined under the program established by the State under the Temporary Assistance for Needy Families Block Grant);

(3) section 8(b) (allotment not considered income or resources);

(4) subsections (a), (c), (d), and (n) of section 11 (relating to administration);

(5) paragraphs (8), (12), (17), (19), (21), (26), and (27) of section 11(e) (relating to the State plan);

(6) section 11(e)(10) (relating to a fair hearing) or a comparable requirement established by the State under the Temporary Assistance for Needy Families Block Grant; and

(7) section 16 (relating to administrative cost-sharing and quality control).

* * * * *

ADMINISTRATION

SEC. 11. (a) * * *

* * * * *

(e)(1) * * *

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(24) at the option of the State, for procedures necessary to obtain payment of uncollected overissuance of coupons from unemployment compensation pursuant to section 13(c); **[and]**

(25) a procedure for designating project areas or parts of project areas that are rural and in which low-income persons face substantial difficulties in obtaining transportation. The State agency shall designate the areas according to procedures approved by the Secretary. In each area so designated, the State agency shall provide for the issuance of coupons by mail to all eligible households in the area, except that any household with mail losses exceeding levels established by the Secretary shall not be entitled to such a mailing and the State agency shall not be required to issue coupons by mail in those localities within such area where the mail loss rates exceed standards set by the Secretary**[.]**;

(26) the plans of the State agency for operating, at the election of the State, a program under section 4(a)(2), including—

(A) the rules and procedures to be followed by the State to determine food stamp benefits;

(B) a statement specifying whether the program operated by the State under section 4(a)(2) will include households that include members who do not receive regular cash benefits under the program established by the State under the Temporary Assistance for Needy Families Block Grant; and

(C) a description of the method by which the State or political subdivision will carry out a quality control system under section 16(c); and

(27) the plans of the State agency for including eligible food stamp recipients in a work supplementation or support program under section 16(j).

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VALUE OF ALLOTMENT

SEC. 8. (a) * * *

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[(e)(1)] The Secretary may permit not more than five statewide projects (upon the request of a State) and not more than five projects in political subdivisions of States (upon the request of a

State or political subdivision) to operate a program under which a household shall be considered to have satisfied the application requirements prescribed under section 5(a) and the income and resource requirements prescribed under subsections (d) through (g) of section 5 if such household—

[(A) includes one or more members who are recipients of—

[(i) aid to families with dependent children under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.);

[(ii) supplemental security income under title XVI of such Act (42 U.S.C. 1381 et seq.); or

[(iii) medical assistance under title XIX of such Act (42 U.S.C. 1396 et seq.); and

[(B) has an income that does not exceed the applicable income standard of eligibility described in section 5(c).

[(2) Except as provided in paragraph (3), a State or political subdivision that elects to operate a program under this subsection shall base the value of an allotment provided to a household under subsection (a) on—

[(A)(i) the size of the household; and

[(ii)(I) benefits paid to such household under a State plan for aid to families with dependent children approved under part A of title IV of the Social Security Act; or

[(II) the income standard of eligibility for medical assistance under title XIX of such Act; or

[(B) at the option of the State or political subdivision, the standard of need for such size household under the programs referred to in clause (A)(ii).

[(3) The Secretary shall adjust the value of allotments received by households under a program operated under this subsection to ensure that the average allotment by household size for households participating in such program and receiving such aid to families with dependent children, such supplemental security income, or such medical assistance, as the case may be, is not less than the average allotment that would have been provided under this Act but for the operation of this subsection, for each category of households, respectively, in a State or political subdivision, for any period during which such program is in operation.

[(4) The Secretary shall evaluate the impact of programs operated under this subsection on recipient households, administrative costs, and error rates.

[(5) The administrative costs of such programs shall be shared in accordance with section 16.

[(6) In implementing this section, the Secretary shall consult with the Commissioner of Social Security and the Secretary of Health and Human Services to ensure that to the extent practicable, in the case of households participating in such programs, the processing of applications for, and determinations of eligibility to receive, food stamp benefits are simplified and are unified with the processing of applications for, and determinations of eligibility to receive, benefits under such titles of the Social Security Act (42 U.S.C. 601 et seq.).]

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SEC. 17. (a)(1) * * *

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[(i)(1) The Secretary may conduct four demonstration projects, in both urban and rural areas, under which households in which each member receives benefits under a State plan approved under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.) (hereafter in this subsection referred to as an “eligible household”) shall be issued monthly allotments following the rules and procedures of programs under part A of title IV of the Social Security Act, and without regard to the eligibility, benefit, and administrative rules established under this Act other than those terms and conditions specified under this subsection or established by the Secretary to ensure program integrity.

[(2) In carrying out the demonstration projects, the Secretary shall ensure the following:

[(A) The third sentence of section 3(i), subsections (b) and (d)(2) of section 6, the first sentence of section 6(c), paragraphs (1)(B), (3), (4), and (9) of section 11(e), and all applicable provisions of this Act dealing with the treatment of homeless individuals and migrant and seasonal farm worker households shall apply.

[(B) Assistance under the food stamp program shall be furnished to all eligible households who make application for assistance by providing any information that is needed by the State agency to determine the correct monthly allotment and that has not been provided as part of the household’s application for assistance under part A of title IV of the Social Security Act.

[(C) Eligible households’ monthly allotments shall be calculated under section 8(a), except that a household’s income shall be determined in accordance with subparagraphs (D) and (E). The allotments shall be provided retroactive to the date of application.

[(D) For purposes of determining monthly allotments under this subsection, household income shall be the benefit provided under part A of title IV of the Social Security Act and the amount used to determine the household’s benefit under such part (not including any amount disregarded for dependent care expenses), except that the amount shall be calculated without regard to section 402(a)(7)(C) of such Act (42 U.S.C. 602(a)(7)(C)) and shall not include nonrecurring lump-sum income and income deemed or allocated to the household under such part.

[(E) In computing household income for purposes of determining monthly allotments, all eligible households shall be allowed the standard, earned income, excess shelter, and medical expense deductions provided under section 5(e) in lieu of any earned income disregards provided under section 402(a)(8) of the Social Security Act (42 U.S.C. 602(a)(8)). Alternatively, the Secretary may approve demonstration projects under which households without earned income are allowed such standard, excess shelter, and medical expense deductions, and household income for households with earned income is computed using such deductions and the earned income disregards provided

under section 402(a)(8) of the Social Security Act to the extent that the Secretary determines they are consistent with the purposes of the demonstration projects required under this subsection.

[(F) Uninterrupted food stamp assistance shall be provided to households who become ineligible to receive the assistance under this subsection but are determined otherwise eligible for food stamp assistance and to households receiving food stamp assistance other than under this subsection who are determined eligible under this subsection.]

[(G) Any other requirements and administrative procedures equivalent to those applicable under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.) may be used in implementing the demonstration projects required under this subsection, if the Secretary determines that the requirements or procedures further the purposes of this subsection and do not undermine program integrity.]

[(3) In establishing the projects, the Secretary shall solicit proposals from, and consult with, interested State and local agencies and shall consult with the Secretary of Health and Human Services on waivers of Federal rules under part A of title IV of the Social Security Act that would assist in carrying out the projects required under this subsection.]

[(4) Not later than six months after termination of any project, the Secretary shall submit a report to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate evaluating the results of the demonstration projects established under this subsection, including evaluations of the effects on recipients and administrators.]

[(j)](i)(1)(A) Subject to the availability of funds specifically appropriated to carry out this subsection and subject to the other provisions of this subsection, during each of fiscal years 1992 through 1995, the Secretary shall make grants competitively awarded to public or private nonprofit organizations to fund food stamp outreach demonstration projects (hereinafter in this subsection referred to as the "projects") and related evaluations in areas of the United States to increase participation by eligible low-income households in the food stamp program. The total amount of grants provided during a fiscal year may not exceed \$5,000,000. Funds appropriated to carry out this subsection shall be used in the year during which the funds are appropriated. Not more than 20 percent of the funds appropriated to carry out this subsection shall be used for evaluations.

(B) The Secretary shall make a grant under this paragraph only to an entity that demonstrates to the Secretary that the entity is able to conduct the outreach functions described in this subsection.

(2) Outreach projects under this subsection shall be targeted toward members of rural, elderly, and homeless populations, low-income working families with children, and non-English-speaking minorities (hereinafter in this subsection collectively referred to as "target populations").

(3)(A) The Secretary shall appoint an advisory panel (hereinafter in this subsection referred to as the "panel") composed of represent-

atives of the target populations as well as individuals with expertise in the area of program evaluation. The panel shall not be subject to the Federal Advisory Committee Act (5 U.S.C. App. 2).

(B) The Secretary shall select recipients for grants, taking into consideration any recommendations from the panel concerning criteria that should be used in selecting recipients, to carry out projects under this subsection based on the appropriateness of the methods proposed for the projects to reach target populations. Appropriate methods shall include—

(i) the production of electronic media campaigns (with the total amount allocated for the campaigns in the aggregate not to exceed 15 percent of the total amount of funds specified in paragraph (1)(A));

(ii) utilization of local outreach workers and volunteers;

(iii) development of solutions to transportation and access problems;

(iv) in-service training for those capable of referring households to the program;

(v) community presentations and education;

(vi) pre-screening assistance for program eligibility;

(vii) individualized client assistance;

(viii) consultation and referral for benefit appeals; and

(ix) recruitment of authorized representatives for applicants unable to appear for certification or at authorized food stores.

(C) In selecting grant recipients, the Secretary shall take into consideration the ability of the applicants to produce useful data for evaluation purposes.

(D) In selecting grant recipients from among applicant public agencies, preference shall be given to those applicants that propose to involve nonprofit organizations in projects to be carried out with the grants.

(E) The Secretary shall provide at least one grant equal to 50 percent of the cost of the development of outreach materials aimed at the general food stamp eligible population as well as the specific target populations, including written materials and public service announcements, so that the materials may be used or adopted by other grant recipients, as appropriate. To be eligible to receive any such grant, a recipient shall provide matching funds equal to 50 percent of the cost of the development of materials described in the preceding sentence. In carrying out this subparagraph, the Secretary shall give preference to applicants that demonstrate the ability to disseminate the materials through other public and private nonprofit organizations. Not to exceed \$500,000 of the funds provided under this subsection for any fiscal year shall be used for the grant.

(4)(A) The Secretary shall evaluate a sufficient number of projects to be able to determine the effectiveness of the projects and the techniques employed by the projects with respect to—

(i) success in reducing barriers to participation;

(ii) increasing overall program participation including participation among target populations;

(iii) administrative effectiveness;

(iv) program efficiency; and

(v) adequacy of administrative resource levels to conduct the activities effectively.

(B) The Secretary shall provide an interim report on the results of the evaluation carried out under subparagraph (A) not later than 1 year after a sufficient number of projects have begun and a final report not later than 3 years after a sufficient number of projects have begun to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate.

(C) The Secretary shall also examine and report on previous research regarding reasons for nonparticipation and effective methods to conduct outreach and to reduce barriers to participation.

(5) The Secretary shall—

(A) within 180 days after funds are appropriated, publish such notice as may be necessary to implement this subsection;

(B) accept proposals from organizations for projects under this subsection for 90 days following the date the notice is published; and

(C) begin to award grants under this subsection beginning no later than 180 days following the date the notice is published.

[(k)](j) The Secretary shall conduct, under such terms and conditions as the Secretary shall prescribe, for a period not to exceed 4 years, projects to test allowing not more than 11,000 eligible households, in the aggregate, to accumulate resources up to \$10,000 each (which shall be excluded from consideration as a resource) for later expenditure for a purpose directly related to improving the education, training, or employability (including self-employment) of household members, for the purchase of a home for the household, for a change of the household's residence, or for making major repairs to the household's home.

[(l)](k) The Secretary shall use up to \$4,000,000 of the funds provided in advance in appropriations Acts for projects authorized by this section to conduct demonstration projects in which State or local food stamp agencies test innovative ideas for working with State or local law enforcement agencies to investigate and prosecute coupon trafficking.

DEFINITIONS

SEC. 3. (a) * * *

* * * * *

(o) "Thrifty food plan" means the diet required to feed a family of four persons consisting of a man and a woman twenty through fifty, a child six through eight, and a child nine through eleven years of age, determined in accordance with the Secretary's calculations. The cost of such diet shall be the basis for uniform allotments for all households regardless of their actual composition, except that the Secretary shall (1) make household-size adjustments (based on the unrounded cost of such diet) taking into account economies of scale, (2) make cost adjustments in the thrifty food plan for Hawaii and the urban and rural parts of Alaska to reflect the cost of food in Hawaii and urban and rural Alaska, (3) make cost adjustments in the separate thrifty food plans for Guam, and the Virgin Islands of the United States to reflect the cost of food

in those States, but not to exceed the cost of food in the fifty States and the District of Columbia, [(4) through January 1, 1980, adjust the cost of such diet every January 1 and July 1 to the nearest dollar increment to reflect changes in the cost of the thrifty food plan for the six months ending the preceding September 30 and March 31, respectively, (5) on January 1, 1981, adjust the cost of such diet to the nearest dollar increment to reflect changes in the cost of the thrifty food plan for the twelve months ending the preceding September 30, (6) on October 1, 1982, adjust the cost of such diet to reflect changes in the cost of the thrifty food plan for the twenty-one months ending June 30, 1982, reduce the cost of such diet by 1 percent, and round the result to the nearest lower dollar increment for each household size, (7) on October 1, 1983, and October 1, 1984, adjust the cost of such diet to reflect changes in the cost of thrifty food plan for the twelve months ending the preceding June 30, reduce the cost of such diet by 1 per centum, and round the result to the nearest lower dollar increment for each household size, (8) on October 1, 1985, and each October 1 thereafter through October 1, 1987, adjust the cost of such diet to reflect changes in the cost of the thrifty food plan for the twelve months ending the preceding June 30 and round the result to the nearest lower dollar increment for each household size, (9) on October 1, 1988, adjust the cost of such diet to reflect 100.65 percent of the cost of the thrifty food plan in the preceding June, and round the result to the nearest lower dollar increment for each household size, (10) on October 1, 1989, adjust the cost of such diet to reflect 102.05 percent of the cost, in the preceding June (without regard to the adjustment made under clause (9)), of the then most recent thrifty food plan as determined by the Secretary or the cost of the thrifty food plan in effect on the date of enactment of the Hunger Prevention Act of 1988, whichever is greater, and round the result to the nearest lower dollar increment for each household size, and (11) on October 1, 1990, and each October 1 thereafter, adjust the cost of such diet to reflect 103 percent of the cost, in the preceding June (without regard to any previous adjustment made under clause (9), (10), or this clause), of the then most recent thrifty food plan as determined by the Secretary or the cost of the thrifty food plan in effect on the date of enactment of the Hunger Prevention Act of 1988, whichever is greater, and round the result to the nearest lower dollar increment for each household size, except that on October 1, 1992, and (in the case of households residing in Alaska) on October 1, 1994, the Secretary may not reduce the cost of such diet.] *(4) on October 1, 1995, adjust the cost of the thrifty food plan to reflect 103 percent of the cost of the thrifty food plan in June 1994 and increase such amount by 2 percent, rounding the result to the nearest lower dollar increment for each household size; and (5) on October 1, 1996, and each October 1 thereafter, increase the amount established for the preceding October 1, before such amount was rounded, by 2 percent, rounding the result to the nearest lower dollar increment for each household size.*

* * * * *

ELIGIBLE HOUSEHOLDS

SEC. 5. (a) * * *

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(d) Household income for purposes of the food stamp program shall include all income from whatever source excluding only (1) any gain or benefit which is not in the form of money payable directly to a household (notwithstanding its conversion in whole or in part to direct payments to households pursuant to any demonstration project carried out or authorized under Federal law including demonstration projects created by the waiver of provisions of Federal law), except as provided in subsection (k), (2) any income in the certification period which is received too infrequently or irregularly to be reasonably anticipated, but not in excess of \$30 in a quarter, subject to modification by the Secretary in light of subsection (f), (3) all educational loans on which payment is deferred, grants, scholarships, fellowships, veterans' educational benefits, and the like (A) awarded to a household member enrolled at a recognized institution of post-secondary education, at a school for the handicapped, in a vocational education program, or in a program that provides for completion of a secondary school diploma or obtaining the equivalent thereof, (B) to the extent that they do not exceed the amount used for or made available as an allowance determined by such school, institution, program, or other grantor, for tuition and mandatory fees (including the rental or purchase of any equipment, materials, and supplies related to the pursuit of the course of study involved), books, supplies, transportation, and other miscellaneous personal expenses (other than living expenses), of the student incidental to attending such school, institution, or program, and (C) to the extent loans include any origination fees and insurance premiums, (4) all loans other than educational loans on which repayment is deferred, (5) reimbursements which do not exceed expenses actually incurred and which do not represent a gain or benefit to the household and any allowance a State agency provides no more frequently than annually to families with children on the occasion of those children's entering or returning to school or child care for the purpose of obtaining school clothes (except that no such allowance shall be excluded if the State agency reduces monthly assistance to families with dependent children under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.) in the month for which the allowance is provided): *Provided*, That no portion of benefits provided under title IV-A of the Social Security Act, to the extent it is attributable to an adjustment for work-related or child care expenses (except for payments or reimbursements for such expenses made under an employment, education, or training program initiated under such title after the date of enactment of the Hunger Prevention Act of 1988), and no portion of any educational loan on which payment is deferred, grant, scholarship, fellowship, veterans' benefits, and the like that are provided for living expenses, shall be considered such reimbursement, (6) moneys received and used for the care and maintenance of a third-party beneficiary who is not a household member, (7) income earned by a child who is a member of the household, who is an elementary or secondary school student, and who is 21 years of age or younger,

(8) moneys received in the form of nonrecurring lump-sum payments, including, but not limited to, income tax refunds,⁵⁻⁵ rebates, or credits, cash donations based on need that are received from one or more private nonprofit charitable organizations, but not in excess of \$300 in the aggregate in a quarter, retroactive lump-sum social security or railroad retirement pension payments and retroactive lump-sum insurance settlements: *Provided*, That such payments shall be counted as resources, unless specifically excluded by other laws, (9) the cost of producing self-employed income, but household income that otherwise is included under this subsection shall be reduced by the extent that the cost of producing self-employment income exceeds the income derived from self-employment as a farmer, (10) any income that any other Federal law specifically excludes from consideration as income for purposes of determining eligibility for the food stamp program except as otherwise provided in subsection (k) of this section, (11) any payments or allowances made for the purpose of providing energy assistance [(A)] under any Federal law, [or (B) under any State or local laws, designated by the State or local legislative body authorizing such payments or allowances as energy assistance, and determined by the Secretary to be calculated as if provided by the State or local government involved on a seasonal basis for an aggregate period not to exceed six months in any year even if such payments or allowances (including tax credits) are not provided on a seasonal basis because it would be administratively infeasible or impracticable to do so,] (12) through September 30 of any fiscal year, any increase in income attributable to a cost-of-living adjustment made on or after July 1 of such fiscal year under title II or XVI of the Social Security Act (42 U.S.C. 401 et seq.), section 3(a)(1) of the Railroad Retirement Act of 1974 (45 U.S.C. 231b(a)(1)), or section 3112 of title 38, United States Code, if the household was certified as eligible to participate in the food stamp program or received an allotment in the month immediately preceding the first month in which the adjustment was effective, (13) at the option of a State agency and subject to subsection (m), child support payments that are excluded under section 402(a)(8)(A)(vi) of the Social Security Act (42 U.S.C. 602(a)(8)(A)(vi)), (14) any payment made to the household under section 3507 of the Internal Revenue Code of 1986 (relating to advance payment of earned income credit), (15) any payment made to the household under section 6(d)(4)(I) for work related expenses or for dependent care, and (16) any amounts necessary for the fulfillment of a plan for achieving self-support of a household member as provided under subparagraph (A)(iii) or (B)(iv) of section 1612(b)(4) of the Social Security Act (42 U.S.C. 1382a(b)(4)).

[(e) In computing household income for purposes of determining eligibility and benefit levels for households containing an elderly or disabled member and determining benefit levels only for all other households, the Secretary shall allow a standard deduction of \$85 a month for each household except that households in Alaska, Hawaii, Guam, and the Virgin Islands of the United States shall be allowed a standard deduction of \$145, \$120, \$170, and \$75, respectively. Such standard deductions shall be adjusted (1) on October 1, 1983, to the nearest lower dollar increment to reflect changes in the Consumer Price Index for all urban consumers published by

the Bureau of Labor Statistics, for items other than food and the homeowners' costs and maintenance and repair component of shelter costs, as appropriately adjusted by the Bureau of Labor Statistics after consultation with the Secretary, for the fifteen months ending the preceding March 31, (2) on October 1, 1984, to the nearest lower dollar increment to reflect such changes for the fifteen months ending the preceding June 30, (3) on October 1, 1985, and October 1, 1986, to the nearest lower dollar increment to reflect such changes for the twelve months ending the preceding June 30, and (4) on October 1, 1987, and each October 1 thereafter, to the nearest lower dollar increment to reflect changes in the Consumer Price Index for all urban consumers published by the Bureau of Labor Statistics, for items other than food, for the twelve months ending the preceding June 30. All households with earned income shall be allowed an additional deduction of 20 per centum of all earned income (other than that excluded by subsection (d) of this section), to compensate for taxes, other mandatory deductions from salary, and work expenses, except that such additional deduction shall not be allowed with respect to earned income that a household willfully or fraudulently fails (as proved in a proceeding provided for in section 6(b)) to report in a timely manner. Households, other than those households containing an elderly or disabled member, shall also be entitled, with respect to expenses other than expenses paid on behalf of the household by a third party, amounts made available and excluded for the expenses under subsection (d)(3), and expenses that are paid under section 6(d)(4)(I) for dependent care, to (1) a dependent care deduction, the maximum allowable level of which shall be \$200 a month for each dependent child under 2 years of age and \$175 a month for each other dependent, for the actual cost of payments necessary for the care of a dependent when such care enables a household member to accept or continue employment, or training or education which is preparatory for employment and (2) an excess shelter expense deduction to the extent that the monthly amount expended by a household for shelter exceeds an amount equal to 50 per centum of monthly household income after all other applicable deductions have been allowed. In the 15-month period ending September 30, 1995, such excess shelter expense deduction shall not exceed \$231 a month in the 48 contiguous States and the District of Columbia, and shall not exceed, in Alaska, Hawaii, Guam, and the Virgin Islands of the United States, \$402, \$330, \$280, and \$171 a month, respectively. In the 15-month period ending December 31, 1996, such excess shelter expense deduction shall not exceed \$247 a month in the 48 contiguous States and the District of Columbia, and shall not exceed, in Alaska, Hawaii, Guam, and the Virgin Islands of the United States, \$429, \$353, \$300, and \$182 a month, respectively. In computing the excess shelter expense deduction, a State agency may use a standard utility allowance in accordance with regulations promulgated by the Secretary, except that a State agency may use an allowance which does not fluctuate within a year to reflect seasonal variations. An allowance for a heating or cooling expense may not be used for a household that does not incur a heating or cooling expense, as the case may be, or does incur a heating or cooling expense but is located in a public hous-

ing unit which has central utility meters and charges households, with regard to such expense, only for excess utility costs. No such allowance may be used for a household that shares such expense with, and lives with, another individual not participating in the food stamp program, another household participating in the food stamp program, or both, unless the allowance is prorated between the household and the other individual, household, or both. If a State agency elects to use a standard utility allowance that reflects heating or cooling costs, it shall be made available to households receiving a payment, or on behalf of which a payment is made, under the Low-Income House Energy Assistance Act of 1981 (42 U.S.C. 8621 et seq.) or other similar energy assistance program, provided that the household still incurs out-of-pocket heating or cooling expenses. A State agency may use a separate standard utility allowance for households on behalf of which such payment is made, but may not be required to do so. A State agency not electing to use a separate allowance, and making a single standard utility allowance available to households incurring heating or cooling expenses (other than households described in the sixth sentence of this subsection) may not be required to reduce such allowance due to the provision (direct or indirect) of assistance under the Low-Income Home Energy Assistance Act of 1981. For purposes of the food stamp program, assistance provided under the Low-Income Home Energy Assistance Act of 1981 shall be considered to be prorated over the entire heating or cooling season for which it was provided. A State agency shall allow a household to switch between any standard utility allowance and a deduction based on its actual utility costs at the end of any certification period and up to one additional time during each twelve-month period. Households containing an elderly or disabled member shall also be entitled, with respect to expenses other than expenses paid on behalf of the household by a third party, to—

【(A) an excess medical expense deduction for that portion of the actual cost of allowable medical expenses, incurred by elderly or disabled members, exclusive of special diets, that exceed \$35 a month;

【(B) a dependent care deduction, the maximum allowable level of which shall be the same as that contained in clause (1) of the fourth sentence of this subsection, for that actual cost of payments necessary for the care of a dependent, regardless of the dependent's age, when such care enables a household member to accept or continue employment, or training or education that is preparatory for employment; and

【(C) an excess shelter expense deduction to the extent that the monthly amount expended by a household for shelter exceeds an amount equal to 50 per centum of monthly household income after all other applicable deductions have been allowed.

State agencies shall offer eligible households a method of claiming a deduction for recurring medical expenses that are initially verified under the excess medical expense deduction provided for in subparagraph (A), in lieu of submitting information or verification on actual expenses on a monthly basis. The method described in the preceding sentence shall be designed to minimize the administrative burden for eligible elderly and disabled household members

choosing to deduct their recurrent medical expenses pursuant to such method, shall rely on reasonable estimates of the member's expected medical expenses for the certification period (including changes that can be reasonably anticipated based on available information about the member's medical condition, public or private medical insurance coverage, and the current verified medical expenses incurred by the member), and shall not require further reporting or verification of a change in medical expenses if such a change has been anticipated for the certification period. Before determining the excess shelter expense deduction, all households shall be entitled to a deduction for child support payments made by a household member to or for an individual who is not a member of the household if such household member was legally obligated to make such payments, except that the Secretary is authorized to prescribe by regulation the methods, including calculation on a retrospective basis, that State agencies shall use to determine the amount of the deduction for child support payments.】

(e)(1) STANDARD AND EARNED INCOME DEDUCTIONS.—(A) In computing household income, the Secretary shall allow a standard deduction of \$134 a month for each household, except that households in Alaska, Hawaii, Guam, and the Virgin Islands of the United States shall be allowed a standard deduction of \$229, \$189, \$269, and \$118, respectively.

(B) All households with earned income shall also be allowed an additional deduction of 20 percent of all earned income (other than that excluded by subsection (d) of this section and that earned under section 16(j)), to compensate for taxes, other mandatory deductions from salary, and work expenses, except that such additional deduction shall not be allowed with respect to earned income that a household willfully or fraudulently fails (as proven in a proceeding provided for in section 6(b)) to report in a timely manner.

(2) DEPENDENT CARE DEDUCTION.—The Secretary shall allow households, a deduction with respect to expenses other than expenses paid on behalf of the household by a third party or amounts made available and excluded for the expenses under subsection (d)(3), the maximum allowable level of which shall be \$200 a month for each dependent child under 2 years of age and \$175 a month for each other dependent, for the actual cost of payments necessary for the care of a dependent when such care enables a household member to accept or continue employment, or training or education which is preparatory for employment.

(3) EXCESS SHELTER EXPENSE DEDUCTION.—(A) The Secretary shall allow households, other than those households containing an elderly or disabled member, with respect to expenses other than expenses paid on behalf of the household by a third party, an excess shelter expense deduction to the extent that the monthly amount expended by a household for shelter exceeds an amount equal to 50 percent of monthly household income after all other applicable deductions have been allowed.

(B) Such excess shelter expense deduction shall not exceed \$231 a month in the 48 contiguous States and the District of Columbia, and shall not exceed, in Alaska, Hawaii, Guam, and the Virgin Islands of the United States, \$402, \$330, \$280, and \$171 a month, respectively.

(C)(i) Notwithstanding section 2605(f) of the Low-Income Home Energy Assistance Act of 1981 (42 U.S.C. 8624(f)), a household may not claim as a shelter expense any payment received, or costs paid on its behalf, under the Low-Income Home Energy Assistance Act of 1981 (42 U.S.C. 8621 et seq.).

(ii) Notwithstanding section 2605(f) of the Low-Income Home Energy Assistance Act of 1981 (42 U.S.C. 8624(f)), a State agency may use a standard utility allowance as provided under subparagraph (D) for heating and cooling expenses only if the household incurs out-of-pocket heating or cooling expenses in excess of any payment received, or costs paid on its behalf, under the Low-Income Home Energy Assistance Act of 1981 (42 U.S.C. 8621 et seq.).

(iii) For purposes of the food stamp program, assistance provided under the Low-Income Home Energy Assistance Act of 1981 shall be considered to be prorated over the entire heating or cooling season for which it was provided.

(iv) At the end of any certification period and up to one additional time during each twelve-month period, a State agency shall allow a household to switch between any standard utility allowance and a deduction based on its actual utility costs.

(D) In computing the excess shelter expense deduction, a State agency may use a standard utility allowance in accordance with regulations promulgated by the Secretary, except that a State agency may use an allowance which does not fluctuate within a year to reflect seasonal variations.

(i) An allowance for a heating or cooling expense may not be used for a household that does not incur a heating or cooling expense, as the case may be, or does incur a heating or cooling expense but is located in a public housing unit which has central utility meters and charges households, with regard to such expense, only for excess utility costs.

(ii) No such allowance may be used for a household that shares such expense with, and lives with, another individual not participating in the food stamp program, another household participating in the food stamp program, or both, under the allowance is prorated between the household and the other individual, household, or both.

(4) HOMELESS SHELTER DEDUCTION.—

(A) A State shall develop a standard homeless shelter deduction, which shall not exceed \$139 a month, for the expenses that may reasonably be expected to be incurred by households in which all members are homeless but are not receiving free shelter throughout the month. Subject to subparagraph (B), the State shall use such deduction in determining the eligibility and allotments for such households.

(B) The Secretary may prohibit the use of the standard homeless shelter deduction for households with extremely low shelter costs.

(5) ELDERLY AND DISABLED HOUSEHOLDS.—(A) The Secretary shall allow households containing an elderly or disabled member, with respect to expenses other than expenses paid on behalf of the household by a third party—

(i) an excess medical expense deduction for that portion of the actual cost of allowable medical expenses, incurred by elderly or

disabled members, exclusive of special diets, that exceed \$35 a month; and

(ii) an excess shelter expense deduction to the extent that the monthly amount expended by a household for shelter exceeds an amount equal to 50 percent of monthly household income after all other applicable deductions have been allowed.

(B) State agencies shall offer eligible households a method of claiming a deduction for recurring medical expenses that are initially verified under the excess medical expense deduction provided for in subparagraph (A), in lieu of submitting information or verification on actual expenses on a monthly basis. The method described in the preceding sentence shall be designed to minimize the administrative burden for eligible elderly and disabled household members choosing to deduct their recurrent medical expenses pursuant to such method, shall rely on reasonable estimates of the member's expected medical expenses for the certification period (including changes that can be reasonably anticipated based on available information about the member's medical condition, public or private medical insurance coverage, and the current verified medical expenses incurred by the member), and shall not require further reporting or verification of a change in medical expenses if such a change has been anticipated for the certification period.

(6) CHILD SUPPORT DEDUCTION.—Before determining the excess shelter expense deduction, the Secretary shall allow all households a deduction for child support payments made by a household member to or for an individual who is not a member of the household if such household member was legally obligated to make such payments, except that the Secretary is authorized to prescribe by regulation the methods, including calculation on a retrospective basis, that State agencies shall use to determine the amount of the deduction for child support payments.

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ADMINISTRATION

SEC. 11. (a) * * *

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(e)(1) * * *

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(3) that the State agency shall thereafter promptly determine the eligibility of each applicant household by way of verification of income other than that determined to be excluded by section 5(d) of this Act (in part through the use of the information, if any, obtained under section 16(e) of this Act), household size (in any case such size is questionable), and such other eligibility factors as the Secretary determines to be necessary to implement sections 5 and 6 of this Act, although the State agency may verify prior to certification, whether questionable or not, the size of any applicant household and such other eligibility factors as the State agency determines are necessary, so as to complete certification of and provide an allotment retroactive to the period of application to any eligible household not later than thirty days following its filing of an application, and that the State agency shall—

(A) provide each applicant household, at the time of application, a clear written statement explaining what acts the household must perform to cooperate in obtaining verification and otherwise completing the application process;

(B) assist each applicant household in obtaining appropriate verification and completing the application process;

(C) not require any household to submit additional proof of a matter on which the State agency already has current verification as determined under regulations issued by the Secretary, unless the State agency has reason to believe that the information possessed by the agency is inaccurate, incomplete, or inconsistent;

(D) subject to subparagraph (E), not deny any application for participation under this program solely because of the failure of a person outside the household to cooperate (other than an individual failing to cooperate who would otherwise be a household member but for the operation of any of the individual disqualification provisions of subsections (b), (d), (e), (f), and (g) of section 6); and

(E) process applications if a household complies with the requirements of the first sentence of section 6(c), by taking appropriate steps to verify information otherwise required to be verified under this Act,

and that the State agency shall provide the household, at the time of each certification and recertification, with a statement describing the reporting responsibilities of the household under this Act, and provide a toll-free or local telephone number, or a telephone number at which collect calls will be accepted by the State agency, at which the household may reach an appropriate representative of the State agency. [Under rules prescribed by the Secretary, a State agency shall develop standard estimates of the shelter expenses that may reasonably be expected to be incurred by households in which all members are homeless but that are not receiving free shelter throughout the month. The Secretary may issue regulations to preclude the use of the estimates for households with extremely low shelter costs for whom the following sentence shall not apply. A State agency shall use the estimates in determining the allotments of the households, unless a household verifies higher expenses;]

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ELIGIBLE HOUSEHOLDS

SEC. 5. (a) * * *

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(g)(1) * * *

(2) The Secretary shall, in prescribing inclusions in, and exclusions from, financial resources, follow the regulations in force as of June 1, 1982 (other than those relating to licensed vehicles and inaccessible resources), and shall, in addition, include in financial resources any boats, snowmobiles, and airplanes used for recreational purposes, any vacation homes, any mobile homes used primarily for vacation purposes, any licensed vehicle (other than one used to produce earned income or that is necessary for transportation of a

physically disabled household member and any other property, real or personal, to the extent that it is directly related to the maintenance or use of such vehicle) used for household transportation or used to obtain or continue employment to the extent that the fair market value of any such vehicle exceeds [a level set by the Secretary, which shall be \$4,500 through August 31, 1994, \$4,550 beginning September 1, 1994, through September 30, 1995, \$4,600 beginning October 1, 1995, through September 30, 1996, and \$5,000 beginning October 1, 1996, as adjusted on such date and on each October 1 thereafter to reflect changes in the new car component of the Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics for the 12-month period ending on June 30 preceding the date of such adjustment and rounded to the nearest \$50, and, regardless of whether there is a penalty for early withdrawal, any savings or retirement accounts (including individual accounts). The Secretary shall exclude from financial resources the value of a vehicle that a household depends upon to carry fuel for heating or water for home use when such transported fuel or water is the primary source of fuel or water for the household.] \$4,550.

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[(i)(1) For purposes of determining eligibility for and the amount of benefits under this Act for an individual who is an alien as described in section 6(f)(2)(B) of this Act, the income and resources of any person who as a sponsor of such individual's entry into the United States executed an affidavit of support or similar agreement with respect to such individual, and the income and resources of the sponsor's spouse if such spouse is living with the sponsor, shall be deemed to be the income and resources of such individual for a period of three years after the individual's entry into the United States. Any such income deemed to be income of such individual shall be treated as unearned income of such individual.

[(2)(A) The amount of income of a sponsor, and the sponsor's spouse if living with the sponsor, which shall be deemed to be the unearned income of an alien for any year shall be determined as follows:

[(i) the total yearly rate of earned and unearned income of such sponsor, and such sponsor's spouse if such spouse is living with the sponsor, shall be determined for such year under rules prescribed by the Secretary;

[(ii) the amount determined under clause (i) of this subparagraph shall be reduced by an amount equal to the income eligibility standard as determined under section 5(c) of this Act for a household equal in size to the sponsor, the sponsor's spouse if living with the sponsor, and any persons dependent upon or receiving support from the sponsor or the sponsor's spouse if the spouse is living with the sponsor; and

[(iii) the monthly income attributed to such alien shall be one-twelfth of the amount calculated under clause (ii) of this subparagraph.

[(B) The amount of resources of a sponsor, and the sponsor's spouse if living with the sponsor, which shall be deemed to be the resources of an alien for any year shall be determined as follows:

[(i) the total amount of the resources of such sponsor and such sponsor's spouse if such spouse is living with the sponsor shall be determined under rules prescribed by the Secretary;

[(ii) the amount determined under clause (i) of this subparagraph shall be reduced by \$1,500; and

[(iii) the resources determined under clause (ii) of this subparagraph shall be deemed to be resources of such alien in addition to any resources of such alien.

[(C)(i) Any individual who is an alien shall, during the period of three years after entry into the United States, in order to be an eligible individual or eligible spouse for purposes of this Act, be required to provide to the State agency such information and documentation with respect to the alien's sponsor and sponsor's spouse as may be necessary in order for the State agency to make any determination required under this section, and to obtain any cooperation from such sponsor necessary for any such determination. Such alien shall also be required to provide such information and documentation which such alien or the sponsor provided in support of such alien's immigration application as the State agency may request.

[(ii) The Secretary shall enter into agreements with the Secretary of State and the Attorney General whereby any information available to such persons and required in order to make any determination under this section will be provided by such persons to the Secretary, and whereby such persons shall inform any sponsor of an alien, at the time such sponsor executes an affidavit of support or similar agreement, of the requirements imposed by the section.

[(D) Any sponsor of an alien, and such alien, shall be jointly and severably liable for an amount equal to any overpayment made to such alien during the period of three years after such alien's entry into the United States, on account of such sponsor's failure to provide correct information under the provisions of this section, except where such sponsor was without fault, or where good cause for such failure existed. Any such overpayment which is not repaid shall be recovered in accordance with the provisions of section 13(b)(2) of this Act.

[(E) The provisions of this subsection shall not apply with respect to any alien who is a member of the sponsor's household, as defined in section 3(i) of this Act.]

[(j)] (i) Notwithstanding subsections (a) through (i), a State agency shall consider a household member who receives supplemental security income benefits under title XVI of the Social Security Act (42 U.S.C. 1382 et seq.), aid to the aged, blind, or disabled under title I, II, X, XIV, or XVI of such Act (42 U.S.C. 301 et seq.), or who receives benefits under a State plan approved under part A of title IV of such Act (42 U.S.C. 601 et seq.) to have satisfied the resource limitations prescribed under subsection (g).

[(k)] (j)(1) For purposes of subsection (d)(1), except as provided in paragraph (2), assistance provided to a third party on behalf of a household by a State or local government shall be considered money payable directly to the household if the assistance is provided in lieu of—

(A) a regular benefit payable to the household for living expenses under a State plan for aid to families with dependent

children approved under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.); or

(B) a benefit payable to the household for housing expenses, not including energy or utility-cost assistance, under—

- (i) a State or local general assistance program; or
- (ii) another basic assistance program comparable to general assistance (as determined by the Secretary).

(2) Paragraph (1) shall not apply to—

- (A) medical assistance;
- (B) child care assistance;
- (C) energy assistance;
- (D) assistance provided by a State or local housing authority;
- (E) emergency assistance for migrant or seasonal farm-worker households during the period such households are in the job stream;
- (F) housing assistance payments made to a third party on behalf of the household residing in transitional housing for the homeless;
- (G) emergency and special assistance, to the extent excluded in regulations prescribed by the Secretary; or
- (H) assistance provided to a third party on behalf of a household under a State or local general assistance program, or another local basic assistance program comparable to general assistance (as determined by the Secretary), if, under State law, no assistance under the program may be provided directly to the household in the form of a cash payment.

(3) For purposes of subsection (d)(1), educational loans on which payment is deferred, grants, scholarships, fellowships, veterans' educational benefits, and the like that are provided to a third party on behalf of a household for living expenses shall be treated as money payable directly to the household.

[(l)] (k) Notwithstanding section 142(b) of the Job Training Partnership Act (29 U.S.C. 1552(b)), earnings to individuals participating in one-the-job training programs under section 204(b)(1)(C) or section 264(c)(1)(A) of the Job Training Partnership Act shall be considered earned income for purposes of the food stamp program, except for dependents less than 19 years of age.

[(m)] (l) If a State agency excludes payments from income for purposes of the food stamp program under subsection (d)(13), such State agency shall pay to the Federal Government, in a manner prescribed by the Secretary, the cost of any additional benefits provided to households in such State that arise under such program as the result of such exclusion.

ELIGIBILITY DISQUALIFICATIONS

SEC. 6(a) * * *

* * * * *

(f) No individual who is a member of a household otherwise eligible to participate in the food stamp program under this section shall be eligible to participate in the food stamp program as a member of that or any other household unless he or she is (1) a resident of the United States and (2) either (A) a citizen or (B) an alien lawfully admitted for permanent residence as an immigrant

as defined by sections 101(a)(15) and 101(a)(20) of the Immigration and Nationality Act (8 U.S.C. 1101(a)(15) and 8 U.S.C. 1101(a)(20)), excluding, among others, alien visitors, tourists, diplomats, and students who enter the United States temporarily with no intention of abandoning their residence in a foreign country, *and such alien has fulfilled the residence requirements and has an application pending for naturalization under the Immigration and Nationality Act, is a veteran (as defined in section 101 of title 38, United States Code) with a discharge characterized as an honorable discharge (or is the spouse or dependent child of such alien), is on active duty (other than active duty from training) in the Armed Forces of the United States (or is the spouse or dependent child of such alien), or is at least 75 years of age and has resided in the United States for at least 5 years; or (C) an alien who entered the United States prior to June 30, 1948, or such subsequent date as is enacted by law, has continuously maintained his or her residence in the United States since then, and is not ineligible for citizenship, but who is deemed to be lawfully admitted for permanent residence as a result of an exercise of discretion by the Attorney General pursuant to section 249 of the Immigration and Nationality Act (8 U.S.C. 1259); or (D) an alien who has qualified for conditional entry pursuant to sections 207 and 208 of the Immigration and Nationality Act (8 U.S.C. 1157 and 1158), but such alien shall be eligible only for five years after such entry; or *(E) an alien who is lawfully present in the United States as a result of an exercise of discretion by the Attorney General for emergent reasons or reasons deemed strictly in the public interest pursuant to section 212(d)(5) of the Immigration and National Act (8 U.S.C. 1182(d)(5)); or (F) an alien within the United States as to whom the Attorney General has withheld deportation pursuant to section 243 of the Immigration and Nationality Act (8 U.S.C. 1253(h)). No aliens other than the ones specifically described in clauses (B) through (F) of this subsection shall be eligible to participate in the food stamp program as a member of any household. The income (less a pro rata share) and financial resources of the individual rendered ineligible to participate in the food stamp program under this subsection shall be considered in determining the eligibility and the value of the allotment of the household of which such individual is a member.*

ELIGIBILITY DISQUALIFICATIONS

SEC. 6(a) * * *

* * * * *

(d)(1) Unless otherwise exempted by the provisions of paragraph (d)(2) of this subsection, (A) no person shall be eligible to participate in the food stamp program who is a physically and mentally fit person between the ages of sixteen and sixty who (i) refused at the time of application and once every twelve months thereafter to register for employment in a manner determined by the Secretary; (ii) refuses without good cause to participate in [an employment and training program under paragraph (4), to the extent required under paragraph (4), including any reasonable employment requirements as are prescribed by the State agency in accordance with paragraph (4)], a *State job search program* and the period of

ineligibility shall be two months; or (iii) refuses without good cause (including the lack of adequate child care for children above the age of five and under the age of twelve) to accept an offer of employment at a wage not less than the higher of either the applicable State or Federal minimum wage, or 80 per centum of the wage that would have governed had the minimum hourly rate under the Fair Labor Standards Act of 1938, as amended (29 U.S.C. 206(a)(1)), been applicable to the offer of employment, and at a site or plant not then subject to a strike or lockout; and (B) no household shall be eligible to participate in the food stamp program (i) if the head of the household is a physically and mentally fit person between the ages of sixteen and sixty and such individual refuses to do any of those acts described in clause (A) of this sentence, or (ii) if the head of the household voluntarily quits any job without good cause, but, in such case, the period of ineligibility shall be ninety days. The State agency shall allow the household to select an adult parent of children in the household as its head where all adult household members making application agree to the selection. The household may designate its head of household under this paragraph each time the household is certified for participation in the food stamp program, but may not change the designation during a certification period unless there is a change in the composition of the household. An employee of the Federal Government, or of a State or political subdivision of a State, who engaged in a strike against the Federal Government, a State or political subdivision of a State and is dismissed from his job because of his participation in the strike shall be considered to have voluntarily quit such job without good cause. Any period of ineligibility for violations under this paragraph shall end when the household member who committed the violation complies with the requirement that has been violated. If the household member who committed the violation leaves the household during the period of ineligibility, such household shall no longer be subject to sanction for such violation and, if it is otherwise eligible, may resume participation in the food stamp program. but any other household of which such person thereafter becomes the head of the household shall be ineligible for the balance of the period of ineligibility.

(2) A person who otherwise would be required to comply with the requirements of paragraph (1) of this subsection shall be exempt from such requirements if he or she is (A) currently subject to and complying with a work registration requirement under [title IV of the Social Security Act, as amended (42 U.S.C. 602)] *the program established by the State under the Temporary Assistance for Needy Families Block Grant*, or the Federal-State unemployment compensation system, in which case, failure by such person to comply with any work requirement to which such person is subject [that is comparable to a requirement of paragraph (1)] shall be the same as failure to comply with that requirement of paragraph (1); (B) a parent or other member of a household with responsibility for the care of a dependent child under age six or of an incapacitated person; (C) a bona fide student enrolled at least half time in any recognized school, training program, or institution of higher education (except that any such person enrolled in an institution of higher education shall be ineligible to participate in the food stamp pro-

gram unless he or she meets the requirements of subsection (e) of this section); (D) a regular participant in a drug addiction or alcoholic treatment and rehabilitation program; (E) employed a minimum of thirty hours per week or receiving weekly earnings which equal the minimum hourly rate under the Fair Labor Standards Act of 1938, as amended (29 U.S.C. 206(a)(1)), multiplied by thirty hours; or (F) a person between the ages of sixteen and eighteen who is not a head of a household or who is attending school, or enrolled in an employment training program, on at least a half-time basis.

* * * * *

[(4) (A) Not later than April 1, 1987, each State agency shall implement an employment and training program designed by the State agency and approved by the Secretary for the purpose of assisting members of households participating in the food stamp program in gaining skills, training, or experience that will increase their ability to obtain regular employment.

[(B) For purposes of this Act, an "employment and training program" means a program that contains one or more of the following components:

[(i) Job search programs with terms and conditions comparable to those prescribed in subparagraphs (A) and (B) of section 402(a)(35) of part A of title IV of the Social Security Act, except that the State agency shall retain the option to apply employment requirements prescribed under this clause to program applicants at the time of application.

[(ii) Job search training programs that include, to the extent determined appropriate by the State agency, reasonable job search training and support activities that may consist of jobs skills assessments, job finding clubs, training in techniques for employability, job placement services, or other direct training or support activities, including educational programs, determined by the State agency to expand the job search abilities or employability of those subject to the program.

[(iii) Workfare programs operated under section 20.

[(iv) Programs designed to improve the employability of household members through actual work experience or training, or both, and to enable individuals employed or trained under such programs to move promptly into regular public or private employment. An employment or training experience program established under this clause shall—

[(I) limit employment experience assignments to projects that serve a useful public purpose in fields such as health, social services, environmental protection, urban and rural development and redevelopment, welfare, recreation, public facilities, public safety, and day care;

[(II) to the extent possible, use the prior training, experience, and skills of the participating member in making appropriate employment or training experience assignments;

[(III) not provide any work that has the effect of replacing the employment of an individual not participating in the employment or training experience program; and

[(IV) provide the same benefits and working conditions that are provided at the job site to employees performing comparable work for comparable hours.

[(v) Educational programs or activities to improve basic skills and literacy, or otherwise improve employability, including educational programs determined by the State agency to expand the job search abilities or employability of those subject to the program under this paragraph.

[(vi) Programs designed to increase the self-sufficiency of recipients through self-employment, including programs that provide instruction for self-employment ventures.

[(vii) As approved by the Secretary or the State under regulations issued by the Secretary, other employment, educational and training programs, projects, and experiments, such as a supported work program, aimed at accomplishing the purpose of the employment and training program.

[(C) The State agency may provide that participation in an employment and training program may supplement or supplant other employment-related requirements imposed on those subject to the program.

[(D)(i) Each State agency may exempt from any requirement for participation in any program under this paragraph categories of household members to which the application of such participation requirement is impracticable as applied to such categories due to factors such as the availability of work opportunities and the cost-effectiveness of the employment requirements. In making such a determination, the State agency may designate a category consisting of all such household members residing in a specific area of the State. Each State may exempt, with the approval of the Secretary, members of households that have participated in the food stamp program 30 days or less.

[(ii) Each State agency may exempt from any requirement for participation individual household members not included in any category designated as exempt under clause (i) but with respect to whom such participation is impracticable because of personal circumstances such as lack of job readiness and employability, the remote location of work opportunities, and unavailability of child care.

[(iii) Any exemption of a category or individual under this subparagraph shall be periodically evaluated to determine whether, on the basis of the factors used to make a determination under clause (i) or (ii), the exemption continues to be valid. Such evaluations shall occur no less often than at each certification or recertification in the case of exemptions under clause (ii).

[(E) Each State agency shall establish requirements for participation by individuals not exempt under subparagraph (D) in one or more employment and training programs under this paragraph, including the extent to which any individual is required to participate. Such requirements may vary among participants. Through September 30, 1995, two States may, on application to and after approval by the Secretary, give priority in the provision of services to voluntary participants (including both exempt and non-exempt participants), except that this sentence shall not excuse a State from compliance with the performance standards issued under sub-

paragraphs (K) and (L), and the Secretary may, at the Secretary's discretion, approve additional States' requests to give such priority if the Secretary reports to Congress on the number and characteristics of voluntary participants given priority under this sentence and such other information as the Secretary determines to be appropriate.

[(F)(i) The total hours of work in an employment and training program carried out under this paragraph required of members of a household, together with the hours of work of such members in any program carried out under section 20, in any month collectively may not exceed a number of hours equal to the household's allotment for such month divided by the higher of the applicable State minimum wage or Federal minimum hourly rate under the Fair Labor Standards Act of 1938.

[(ii) The total hours of participation in such program required of any member of a household, individually, in any month, together with any hours worked in another program carried out under section 20 and any hours worked for compensation (in cash or in kind) in any other capacity, shall not exceed one hundred and twenty hours per month.

[(G)(i) The State agency may operate any program component under this paragraph in which individuals elect to participate.

[(ii) The State agency shall permit, to the extent it determines practicable, individuals not subject to requirements imposed under subparagraph (E) or who have complied, or are in the process of complying, with such requirements to participate in any program under this paragraph.

[(H)(i) The Secretary shall issue regulations under which each State agency shall establish a conciliation procedure for the resolution of disputes involving the participation of an individual in the program.

[(ii) Federal funds made available to a State agency for purposes of the component authorized under subparagraph (B)(v) shall not be used to supplant non-Federal funds used for existing services and activities that promote the purposes of this component.

[(I)(i) The State agency shall provide payments or reimbursements to participants in programs carried out under this paragraph, including individuals participating under subparagraph (G), for—

[(I) the actual costs of transportation and other actual costs (other than dependent care costs), are reasonably necessary and directly related to participation in the program, except that the State agency may limit such reimbursement to each participant to \$25 per month; and

[(II) the actual costs of such dependent care expenses that are determined by the State agency to be necessary for the participation of an individual in the program (other than an individual who is the caretaker relative of a dependent in a family receiving benefits under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.) in a local area where an employment, training, or education program under title IV of such Act is in operation, or was in operation, on the date of enactment of the Hunger Prevention Act of 1988) up to any limit set by the State agency (which limit shall not be less than the

limit for the dependent care deduction under section 5(e)), but in no event shall such payment or reimbursements exceed the applicable local market rate as determined by procedures consistent with any such determination under the Social Security Act. Individuals subject to the program under this paragraph may not be required to participate if dependent costs exceed the limit established by the State agency under this subclause or other actual costs exceed any limit established under subclause (I).

[(ii) In lieu of providing reimbursements or payments for dependent care expenses under clause (i), a State Agency may, at its option, arrange for dependent care through providers by the use of purchase of service contracts or vouchers or by providing vouchers to the household.

[(iii) The value of any dependent care services provided for or arranged under clause (ii), or any amount received as a payment or reimbursement under clause (i), shall—

[(I) not be treated as income for the purposes of any other Federal or federally assisted program that bases eligibility for, or the amount of benefits on, need; and

[(II) not be claimed as an employment-related expense for the purposes of the credit provided under section 21 of the Internal Revenue Code of 1986.

[(J) The Secretary shall promulgate guidelines that (i) enable State agencies, to the maximum extent practicable, to design and operate an employment and training program that is compatible and consistent with similar programs operated within the State, and (ii) ensure, to the maximum extent practicable, that employment and training programs are provided for Indians on reservations.

[(K)(i) For any fiscal year, the Secretary shall establish performance standards for each State that, in the case of persons who are subject to employment requirements under this section and who are not exempt under subparagraph (D), designate the minimum percentages (not to exceed 10 percent in fiscal years 1992 and 1993, and 15 percent in fiscal years 1994 and 1995) of such persons that State agencies shall place in programs under this paragraph. Such standards need not be uniform for all the States, but may vary among the several States. The Secretary shall consider the cost to the States in setting performance standards and the degree of participation in programs under this paragraph by exempt persons. The Secretary shall not require the plan of a State agency to provide for the participation of a number of recipients greater than 10 percent in fiscal years 1992 and 1993, and 15 percent in fiscal years 1994 and 1995, of the persons who are subject to employment requirements under this section and who are not exempt under subparagraph (D).

[(ii) In making any determinations as to whether a State agency has met a performance standard under clause (i), the Secretary shall—

[(I) consider the extent to which persons have elected to participate in programs under this paragraph;

【(II) consider such factors as placement in unsubsidized employment, increases in earnings, and reduction in the number of persons participating in the food stamp program; and

【(III) consider other factors determined by the Secretary to be related to employment and training.

【(iii) The Secretary shall vary the performance standards established under clause (i) according to differences in the characteristics of persons required to participate and the type of program to which the standard is applied.

【(iv) The Secretary may delay establishing performance standards for up to 18 months after national implementation of the provisions of this paragraph, in order to base performance standards on State agency experience in implementing this paragraph.

【(L)(i) The Secretary shall establish performance standards and measures applicable to employment and training programs carried out under this paragraph that are based on employment outcomes, including increases in earnings.

【(ii) Final performance standards and measures referred to in clause (i) shall be published not later than 12 months after the date that the final outcome-based performance standards are published for job opportunities and basic skills training programs under part F of title IV of the Social Security Act (42 U.S.C. 681 et seq.).

【(iii) The standards shall encourage States to serve those individuals who have greater barriers to employment and shall take into account the extent to which persons have elected to participate in employment and training programs under this paragraph. The standards shall require participants to make levels of efforts comparable to those required under the regulations set forth in section 273.7(f)(1) of title 7, Code of Federal Regulations in effect on January 1, 1991.

【(iv) The performance standards in effect under subparagraph (K) shall remain in effect during the period beginning on October 1, 1988, and ending on the date the Secretary implements the outcome-based performance standards described in this subparagraph.

【(v) A State agency shall be considered in compliance with applicable performance standards under subparagraph (K) if the State agency operates an employment and training program in a manner consistent with its approved plan and if the program requires participants to make levels of effort comparable to those required under the regulations set forth in section 273.7(f)(1) of title 7, Code of Federal Regulations in effect on January 1, 1991.

【(M)(i) The Secretary shall ensure that State agencies comply with the requirements of this paragraph and section 11(e)(22).

【(ii) If the Secretary determines that a State agency has failed, without goal cause, to comply with such a requirement, including any failure to meet a performance standard under subparagraph (J), the Secretary may withhold from such State, in accordance with section 16(a), (c), and (h), such funds as the Secretary determines to be appropriate, subject to administrative and judicial review under section 14.

【(N) The facilities of the State public employment offices and agencies operating programs under the Job Training Partnership

Act may be used to find employment and training opportunities for household members under the programs under this paragraph.】

(4)(A) Except as provided in subparagraphs (B), (C), and (D), an individual shall not be denied initial eligibility but shall be disqualified from the food stamp program if after 90 days from the certification of eligibility of such individual the individual was not employed a minimum of 20 hours per week, or does not participate in a program established under section 20 or a comparable program established by the State or local government.

(B) Subparagraph (A) shall not apply in the case of an individual who—

- (i) is under eighteen or over fifty years of age;*
- (ii) is certified by a physician as physically or mentally unfit for employment;*
- (iii) is a parent or other member of a household with responsibility for the care of a dependent;*
- (iv) is participating a minimum of 20 hours per week and is in compliance with the requirement of—*
 - (I) a program under the Job Training Partnership Act (29 U.S.C. 1501 et seq.);*
 - (II) a program under section 236 of the Trade Act of 1974 (19 U.S.C. 2296); or*
 - (III) a program of employment or training operated or supervised by an agency of State or local government which meets standards deemed appropriate by the Governor; or*
- (v) would otherwise be exempt under subsection (d)(2).*

(C) Upon request of the State, the Secretary may waive the requirements of subparagraph (A) in the case of some or all individuals within all or part of the State if the Secretary makes a determination that such area—

- (i) has an unemployment rate of over 10 percent; or*
- (ii) does not have a sufficient number of jobs to provide employment for individuals subject to this paragraph. The Secretary shall report to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate on the basis on which the Secretary made such a decision.*

(D) An individual who has been disqualified from the food stamp program under subparagraph (A) may reestablish eligibility for assistance if such person becomes exempt under subparagraph (B) or by—

- (i) becoming employed for a minimum of 20 hours per week during any consecutive thirty-day period; or*
- (ii) participating in a program established under section 20 or a comparable program established by the State or local government.*

* * * * *

ADMINISTRATIVE COST-SHARING AND QUALITY CONTROL

SEC. 16. (a) * * *

* * * * *

【(h)(1)(A) The Secretary shall allocate among the State agencies in each fiscal year, from funds appropriated for the fiscal year

under section 18(a)(1), the amount of \$75,000,000 for each of the fiscal years 1991 through 1995 to carry out the employment and training program under section 6(d)(4), except as provided in paragraph (3), during the fiscal year.

[(B) In making the allocation required by subparagraph (A) for each of the fiscal years 1992 through 1995, the Secretary shall allocate \$15,000,000 among the States based on State agency performance under section 6(d)(4), as determined by the Secretary.

[(C) In making the allocation required by subparagraph (A) for fiscal year 1992, the Secretary shall allocate nonperformance funding of \$60,000,000 among the States in a manner such that each State is allocated funds equal to—

[(i) a funding level determined under the nonperformance funding allocation formula used for fiscal year 1991;

[(ii) increased by one half of the difference between such funding level and an amount, if larger, based on the State's proportion of the number of individuals registered for work under section 6(d)(4); or

[(iii) decreased by one half of the difference between such funding level and such amount, if such amount is smaller.

[(D) In making the allocation required by subparagraph (A) for each of the fiscal years 1993 through 1995, the Secretary shall allocate nonperformance funding of \$60,000,000 among the States based on each State's proportion of the number of individuals registered for work under section 6(d)(4).

[(E) Notwithstanding subparagraphs (C) and (D), the Secretary shall—

[(i) for fiscal year 1992, ensure that each State is allocated at least \$50,000 by reducing, to the extent necessary, the funds allocated to States (other than States allocated less than \$50,000) whose funding level has been increased under subparagraph (C); and

[(ii) for each of the fiscal years 1993 through 1995, ensure that each State is allocated at least \$50,000 by reducing, to the extent necessary, the funds allocated to those States allocated more than \$50,000.

[(F) Each such State's share of such reduction under subparagraph (E) shall represent its proportion of individuals registered for work under section 6(d)(4) in all States subject to the reduction.

[(2) If, in carrying out such program during such fiscal year, a State agency incurs costs that exceed the amount allocated to the State agency under paragraph (1), the Secretary shall pay such State agency an amount equal to 50 per centum of such additional costs, subject to the first limitation in paragraph (3).

[(3) The Secretary shall also reimburse each State agency in an amount equal to 50 per centum of the total amount of payments made or costs incurred by the State agency in connection with transportation costs and other expenses reasonably necessary and directly related to participation in an employment and training program under section 6(d)(4), except that such total amount shall not exceed an amount representing \$25 per participant per month for costs of transportation and other actual costs (other than dependent care costs) and an amount equal to the payment made under section 6(d)(4)(I)(i)(II) but not more than the applicable local mar-

ket rate, and such reimbursement shall not be made out of funds allocated under paragraph (1).

[(4) Funds provided to a State agency under this subsection may be used only for operating an employment and training program under section 6(d)(4), and may not be used for carrying out other provisions of this Act.

[(5)(A) The Secretary shall monitor the employment and training programs carried out by State agencies under section 6(d)(4) to measure their effectiveness in terms of the increase in the numbers of household members who obtain employment and the numbers of such members who retain such employment as a result of their participation in such employment and training programs.

[(B) The Secretary shall, not later than January 1, 1989, report to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate on the effectiveness of such employment and training programs.

[(6) The Secretary shall develop, and transmit to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate, a proposal for modifying the rate of Federal payments under this subsection so as to reflect the relative effectiveness of the various States in carrying out employment and training programs under section 6(d)(4).]

[(i)](h)(1) The Department of Agriculture may use quality control information made available under this section to determine which project areas have payment error rates (as defined in subsection (d)(1)) that impair the integrity of the food stamp program.

(2) The Secretary may require a State agency to carry out new or modified procedures for the certification of households in areas identified under paragraph (1) if the Secretary determines such procedures would improve the integrity of the food stamp program and be cost effective.

(3) Not later than 12 months after the date of enactment of the Food Security Act of 1985, and each 12 months thereafter, the Secretary shall submit to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate a report that lists project areas identified under paragraph (1) and describes any procedures required to be carried out under paragraph (2).

[(j)] (i) Not later than 180 days after the date of the enactment of the Hunger Prevention Act of 1988 [enacted on September 19, 1988], and annually thereafter, the Secretary shall publish instructional materials specifically designed to be used by the State agency to provide intensive training to State agency personnel who undertake the certification of households that include a member who engages in farming.

(j) *Work Supplementation or Support Program.*—(1) *A State may elect to use the sums equal to the food stamp benefits that would otherwise be allowed to participants under the food stamp program but for the operation of this subsection for the purposes of providing and subsidizing or supporting jobs under a work supplementation or support program established by the State.*

(2) If a State that makes the election described in paragraph (1) identifies each household that participates in the food stamp program which contains an individual who is participating in such work supplementation or support program—

(A) the Secretary shall pay to the State an amount equal to the value of the allotment that the household would be eligible to receive but for the operation of this subsection;

(B) the State shall expend such amount in accordance with its work supplementation or support program in lieu of the allotment that the household would receive but for the operation of this subsection;

(C) for purposes of—

(i) sections 5 and 8 (a), the amount received under this subsection shall be excluded from household income and resources; and

(ii) section 8(b), the amount received under this subsection shall be considered as the value of an allotment provided to the household; and

(D) The household shall not receive an allotment from the State agency for the period during which the member continues to participate in the work supplementation program.

(3) No person shall be excused by reason of the fact that such State has a work supplementation or support program from any work requirement under section 6(d), except during the periods in which such individual is employed under such work supplementation or support program.

(4) For purposes of this subsection, the term “work supplementation or support program” shall mean a program in which, as determined by the Secretary, public assistance, including any benefits provided under a program established by the State and the food stamp program, is provided to an employer to be used for hiring a public assistance recipient.

RESEARCH, DEMONSTRATION, AND EVALUATIONS

SEC. 17. (a) * * *

* * * * *

[(d)(1) As used in this subsection, the term “qualification period” means a period of time immediately preceding—

[(A) in the case of a new applicant for benefits under this Act, the date on which application for such benefits is made by the individual; or

[(B) in the case of an otherwise continuing recipient of coupons under this Act, the date on which such coupons would otherwise be issued to the individual.

[(2) Upon application of a State or political subdivision thereof, the Secretary may conduct one pilot project involving the employment requirements described in this subsection in each of four project areas selected by the Secretary.

[(3) Under the pilot projects conducted pursuant to this subsection, except as provided in paragraphs (4), (5), and (6), an individual who resides in a project area shall not be eligible for assistance under this Act if the individual was not employed a minimum of twenty hours per week, or did not participate in a workfare pro-

gram established under section 20, during a qualification period of—

[(A) thirty or more consecutive days, in the case of an individual whose benefits under a State or Federal unemployment compensation law were terminated immediately before such qualification period began; or

[(B) sixty or more consecutive days, in the case of an individual not described in clause (A).

[(4) The provisions of paragraph (3) shall not apply in the case of an individual who—

[(A) is under eighteen or over fifty-nine years of age;

[(B) is certified by a physician as physically or mentally unfit for employment;

[(C) is a parent or other member of a household with responsibility for the care of a dependent child under six years of age or of an incapacitated person;

[(D) is a parent or other caretaker of a child under six years of age in a household in which there is another parent who, unless covered by clause (A) or (B), or both such clauses, is employed a minimum of twenty hours per week or participating in a workfare program established under section 20;

[(E) is in compliance with section 6(d) and demonstrates, in a manner prescribed by the Secretary, that the individual is able and willing to accept employment but is unable to obtain such employment; or

[(F) is a member of any other group described by the Secretary.

[(5) The Secretary may waive the requirements of paragraph (3) in the case of all individuals within all or part of a project area if the Secretary finds that such area—

[(A) has an unemployment rate of over 10 per centum; or

[(B) does not have a sufficient number of jobs to provide employment for individuals subject to this subsection.

[(6) An individual who has become ineligible for assistance under this Act by reason of paragraph (3) may reestablish eligibility for assistance after a period of ineligibility by—

[(1) becoming employed for a minimum of twenty hours per week during any consecutive thirty-day period; or

[(2) participating in a workfare program established under section 20 during any consecutive thirty-day period.]

[(e)] (d) The Secretary shall conduct a study of the effects of reductions made in benefits provided under this Act pursuant to part 1 of subtitle A of title I of the Omnibus Budget Reconciliation Act of 1981, the Food Stamp and Commodity Distribution Amendments of 1981, the Food Stamp Act Amendments of 1982, and any other laws enacted by the Ninety-seventh Congress which affect the food stamp program. The study shall include a study of the effect of retrospective accounting and periodic reporting procedures established under such Acts, including the impact on benefit and administrative costs and on error rates and the degree to which eligible households are denied food stamp benefits for failure to file complete periodic reports. The Secretary shall submit to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate an interim re-

port on the results of such study no later than February 1, 1984, and a final report on the results of such study no later than March 1, 1985.

[(f)] (e) In order to encourage States to plan, design, develop, and implement a system for making food stamp benefits available through the use of intelligent benefit cards or other automated or electronic benefit delivery systems, the Secretary may conduct one or more pilot or experimental projects, subject to the restrictions imposed by subsection (b)(1) and section 7(g)(2), designed to test whether the use of such cards or systems can enhance the efficiency and effectiveness of program operations while ensuring that individuals receive correct benefit amounts on a timely basis. Intelligent benefit cards developed under such a demonstration project shall contain information, encoded on a computer chip embedded in a credit card medium, including the eligibility of the individual and the amount of benefits to which such individual is entitled. Any other automated or electronic benefit delivery system developed under such a demonstration project shall be able to use a plastic card to access such information from a data file.

[(g)] (f) In order to assess the effectiveness of the employment and training programs established under section 6(d) in placing individuals into the work force and withdrawing such individuals from the food stamp program, the Secretary is authorized to carry out studies comparing the pre- and post-program labor force participation, wage rates, family income, level of receipt of food stamp and other transfer payments, and other relevant information, for samples of participants in such employment and training programs as compared to the appropriate control or comparison groups that did not participate in such programs. Such studies shall, to the maximum extent possible—

- (1) collect such data for up to 3 years after the individual has completed the employment and training program; and
- (2) yield results that can be generalized to the national program as a whole.

The results of such studies and reports shall be considered in developing or updating the performance standards required under section 6.

[(h)] (g) The Secretary shall conduct a sufficient number of demonstration projects to evaluate the effects, in both rural and urban areas, of including in financial resources under section 5(g) the fair market value of licensed vehicles to the extent the value of each vehicle exceeds \$4,500, but excluding the value of—

- (1) any licensed vehicle that is used to produce earned income, necessary for transportation of an elderly or physically disabled household member, or used as the household's home; and
- (2) one licensed vehicle used to obtain, continue, or seek employment (including travel to and from work), used to pursue employment-related education or training, or used to secure food or the benefits of the food stamp program.

[(i)(1)] (h) The Secretary may conduct four demonstration projects, in both urban and rural areas, under which households in which each member receives benefits under a State plan approved under part A of title IV of the Social Security Act (42 U.S.C. 601

et seq.) (hereafter in this subsection referred to as an “eligible household”) shall be issued monthly allotments following the rules and procedures of programs under part A of title IV of the Social Security Act, and without regard to the eligibility, benefit, and administrative rules established under this Act other than those terms and conditions specified under this subsection or established by the Secretary to ensure program integrity.

(2) In carrying out the demonstration projects, the Secretary shall ensure the following:

(A) The third sentence of section 3(i), subsections (b) and (d)(2) of section 6, the first sentence of section 6(c), paragraphs (1)(B), (3), (4), and (9) of section 11(e), and all applicable provisions of this Act dealing with the treatment of homeless individuals and migrant and seasonal farm worker households shall apply.

(B) Assistance under the food stamp program shall be furnished to all eligible households who make application for assistance by providing any information that is needed by the State agency to determine the correct monthly allotment and that has not been provided as part of the household’s application for assistance under part A of title IV of the Social Security Act.

(C) Eligible households’ monthly allotments shall be calculated under section 8(a), except that a household’s income shall be determined in accordance with subparagraphs (D) and (E). The allotments shall be provided retroactive to the date of application.

(D) For purposes of determining monthly allotments under this subsection, household income shall be the benefit provided under part A of title IV of the Social Security Act and the amount used to determine the household’s benefit under such part (not including any amount disregarded for dependent care expenses), except that the amount shall be calculated without regard to section 402(a)(7)(C) of such Act (42 U.S.C. 602(a)(7)(C)) and shall not include nonrecurring lump-sum income and income deemed or allocated to the household under such part.

(E) In computing household income for purposes of determining monthly allotments, all eligible households shall be allowed to standard, earned income, excess shelter, and medical expense deductions provided under section 5(e) in lieu of any earned income disregards provided under section 402(a)(8) of the Social Security Act (42 U.S.C. 602(a)(8)). Alternatively, the Secretary may approve demonstration projects under which households without earned income are allowed such standard, excess shelter, and medical expense deductions, and household income for households with earned income is computed using such deductions and the earned income disregards provided under section 402(a)(8) of the Social Security Act to the extent that the Secretary determines they are consistent with the purposes of the demonstration projects required under this subsection.

(F) Uninterrupted food stamp assistance shall be provided to households who become ineligible to receive the assistance

under this subsection but are determined otherwise eligible for food stamp assistance and to households receiving food stamp assistance other than under this subsection who are determined eligible under this subsection.

(G) Any other requirements and administrative procedures equivalent to those applicable under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.) may be used in implementing the demonstration projects required under this subsection, if the Secretary determines that the requirements or procedures further the purposes of this subsection and do not undermine program integrity.

(3) In establishing the projects, the Secretary shall solicit proposals from, and consult with, interested State and local agencies and shall consult with the Secretary of Health and Human Services on waivers of Federal rules under part A of title IV of the Social Security Act that would assist in carrying out the projects required under this subsection.

(4) Not later than six months after termination of any project, the Secretary shall submit a report to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate evaluating the results of the demonstration projects established under this subsection, including evaluations of the effects on recipients and administrators.

[(j)](i)(1)(A) Subject to the availability of funds specifically appropriated to carry out this subsection and subject to the other provisions of this subsection, during each of fiscal years 1992 through 1995, the Secretary shall make grants competitively awarded to public or private nonprofit organizations to fund food stamp outreach demonstration projects (hereinafter in this subsection referred to as the "projects") and related evaluations in areas of the United States to increase participation by eligible low-income households in the food stamp program. The total amount of grants provided during a fiscal year may not exceed \$5,000,000. Funds appropriated to carry out this subsection shall be used in the year during which the funds are appropriated. Not more than 20 percent of the funds appropriated to carry out this subsection shall be used for evaluations.

(B) The Secretary shall make a grant under this paragraph only to an entity that demonstrates to the Secretary that the entity is able to conduct the outreach functions described in this subsection.

(2) Outreach projects under this subsection shall be targeted toward members of rural, elderly, and homeless populations, low-income working families with children, and non-English speaking minorities (hereinafter in this subsection collectively referred to as "target populations").

(3)(A) The Secretary shall appoint an advisory panel (hereinafter in this subsection referred to as the "panel") composed of representatives of the target populations as well as individuals with expertise in the area of program evaluation. The panel shall not be subject to the Federal Advisory Committee Act (5 U.S.C. App. 2).

(B) The Secretary shall select recipients for grants, taking into consideration any recommendations from the panel concerning criteria that should be used in selecting recipients, to carry out

projects under this subsection based on the appropriateness of the methods proposed for the projects to reach target populations. Appropriate methods shall include—

- (i) the production of electronic media campaigns (with the total amount allocated for the campaigns in the aggregate not to exceed 15 percent of the total amount of funds specified in paragraph (1)(A));
- (ii) utilization of local outreach workers and volunteers;
- (iii) development of solutions to transportation and access problems;
- (iv) in-service training for those capable of referring households to the program;
- (v) community presentations and education;
- (vi) pre-screening assistance for program eligibility;
- (vii) individualized client assistance;
- (viii) consultation and referral for benefit appeals; and
- (ix) recruitment of authorized representatives for applicants unable to appear for certification or at authorized food stores.

(C) In selecting grant recipients, the Secretary shall take into consideration the ability of the applicants to produce useful data for evaluation purposes.

(D) In selecting grant recipients from among applicant public agencies, preference shall be given to those applicants that propose to involve nonprofit organizations in projects to be carried out with the grants.

(E) The Secretary shall provide at least one grant equal to 50 percent of the cost of the development of outreach materials aimed at the general food stamp eligible population as well as the specific target populations, including written materials and public service announcements, so that the materials may be used or adopted by other grant recipients, as appropriate. To be eligible to receive any such grant, a recipient shall provide matching funds equal to 50 percent of the cost of the development of materials described in the preceding sentence. In carrying out this subparagraph, the Secretary shall give preference to applicants that demonstrate the ability to disseminate the materials through other public and private nonprofit organizations. Not to exceed \$500,000 of the funds provided under this subsection for any fiscal year shall be used for the grant.

(4)(A) The Secretary shall evaluate a sufficient number of projects to be able to determine the effectiveness of the projects and the techniques employed by the projects with respect to—

- (i) success in reducing barriers to participation;
- (ii) increasing overall program participation including participation among target populations;
- (iii) administrative effectiveness;
- (iv) program efficiency; and
- (v) adequacy of administrative resources levels to conduct the activities effectively.

(B) The Secretary shall provide an interim report on the results of the evaluation carried out under subparagraph (A) not later than 1 year after a sufficient number of projects have begun and a final report not later than 3 years after a sufficient number of projects have begun to the Committee on Agriculture of the House of Rep-

representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate.

(C) The Secretary shall also examine and report on previous research regarding reasons for nonparticipation and effective methods to conduct outreach and to reduce barriers to participation.

(5) The Secretary shall—

(A) within 180 days after funds are appropriated, publish such notice as may be necessary to implement this subsection;

(B) accept proposals from organizations for projects under this subsection for 90 days following the date the notice is published; and

(C) begin to award grants under this subsection beginning no later than 180 days following the date the notice is published.

[(k)] (j) The Secretary shall conduct, under such terms and conditions as the Secretary shall prescribe, for a period not to exceed 4 years, projects to test allowing not more than 11,000 eligible households, in the aggregate, to accumulate resources up to \$10,000 each (which shall be excluded from consideration as a resource) for later expenditure for a purpose directly related to improving the education, training, or employability (including self-employment) of household members, for the purchase of a home for the household, for a change of the household's residence, or for making major repairs to the household's home.

(l) The Secretary shall use up to \$4,000,000 of the funds provided in advance in appropriations Acts for projects authorized by this section to conduct demonstration projects in which State or local food stamp agencies test innovative ideas for working with State or local law enforcement agencies to investigate and prosecute coupon trafficking.

* * * * *

WORKFARE

[SEC. 20. (a)(1) The Secretary shall permit any political subdivision, in any State, that applies and submits a plan to the Secretary in compliance with guidelines promulgated by the Secretary to operate a workfare program pursuant to which every member of a household participating in the food stamp program who is not exempt by virtue of the provisions of subsection (b) of this section shall accept an offer from such subdivision to perform work on its behalf, or may seek an offer to perform work, in return for compensation consisting of the allotment to which the household is entitled under section 8(a) of this Act, with each hour of such work entitling that household to a portion of its allotment equal in value to 100 per centum of the higher of the applicable State minimum wage or the Federal minimum hourly rate under the Fair Labor Standards Act of 1938.

[(2)(A) The Secretary shall promulgate guidelines pursuant to paragraph (1) which, to the maximum extent practicable, enable a political subdivision to design and operate a workfare program under this section which is compatible and consistent with similar workfare programs operated by the subdivision.

[(B) A political subdivision may comply with the requirements of this section by operating—

[(i) a workfare program pursuant to title IV of the Social Security Act (42 U.S.C. 601 et seq.); or

[(ii) any other workfare program which the Secretary determines meets the provisions and protections provided under this section.

[(b)(1) A household member shall be exempt from workfare requirements imposed under this section if such member is—

[(A) exempt from section 6(d)(1) as the result of clause (B), (C), (D), (E), or (F) of section 6(d)(2);

[(B) at the option of the operating agency, subject to and currently actively and satisfactorily participating at least 20 hours a week in a work training program required under title IV of the Social Security Act (42 U.S.C. 601 et seq.);

[(C) mentally or physically unfit;

[(D) under sixteen years of age;

[(E) sixty years of age or older; or

[(F) a parent or other caretaker of a child in a household in which another member is subject to the requirements of this section or is employed fulltime.

[(2)(A) Subject to subparagraphs (B) and (C), in the case of a household that is exempt from work requirements imposed under this Act as the result of participation in a community work experience program established under section 409 of the Social Security Act (42 U.S.C. 609), the maximum number of hours in a month for which all members of such household may be required to participate in such program shall equal the result obtained by dividing—

[(i) the amount of assistance paid to such household for such month under title IV of such Act, together with the value of the food stamp allotment of such household for such month; by

[(ii) the higher of the Federal or State minimum wage in effect for such month.

[(B) In no event may any such member be required to participate in such program more than 120 hours per month.

[(C) For the purpose of subparagraph (A)(i), the value of the food stamp allotment of a household for a month shall be determined in accordance with regulations governing the issuance of an allotment to a household that contains more members than the number of members in an assistance unit established under title IV of such Act.

[(c) No operating agency shall require any participating member to work in any workfare position to the extent that such work exceeds in value the allotment to which the household is otherwise entitled or that such work, when added to any other hours worked during such week by such member for compensation (in cash or in kind) in any other capacity, exceeds thirty hours a week.

[(d) The operating agency shall—

[(1) not provide any work that has the effect of replacing or preventing the employment of an individual not participating in the workfare program;

[(2) provide the same benefits and working conditions that are provided at the job site to employees performing comparable work for comparable hours; and

[(3) reimburse participants for actual costs of transportation and other actual costs all of which are reasonably necessary

and directly related to participation in the program but not to exceed \$25 in the aggregate per month.

[(e) The operating agency may allow a job search period, prior to making workfare assignments, of up to thirty days following a determination of eligibility.

[(f) In the event that any person fails to comply with the requirements of this section, neither that person nor the household to which that person belongs shall be eligible to participate in the food stamp program for two months, unless that person or another person in the household satisfies all outstanding workfare obligations prior to the end of the two-month disqualification period.

[(g)(1) The Secretary shall pay to each operating agency 50 per centum of all administrative expenses incurred by such agency in operating a workfare program, including reimbursements to participants for work-related expenses as described in subsection (d)(3) of this section.

[(2)(A) From 50 per centum of the funds saved from employment related to a workfare program operated under this section, the Secretary shall pay to each operating agency an amount not to exceed the administrative expenses described in paragraph (1) for which no reimbursement is provided under such paragraph.

[(B) For purposes of subparagraph (A), the term "funds saved from employment related to a workfare program operated under this section" means an amount equal to three times the dollar value of the decrease in allotments issued to households, to the extent that such decrease results from wages received by members of such households for the first month of employment beginning after the date such members commence such employment if such employment commences—

[(i) while such members are participating for the first time in a workfare program operated under this section; or

[(ii) in the thirty-day period beginning on the date such first participation is terminated.

[(3) The Secretary may suspend or cancel some or all of these payments, or may withdraw approval from a political subdivision to operate a workfare program, upon a finding that the subdivision has failed to comply with the workfare requirements.]

SEC. 20. (a)(1) The Secretary shall permit a State that applies and submits a plan in compliance with guidelines promulgated by the Secretary to operate a program within the State or any political subdivision within the State, under which persons who are required to work under section 6(d)(4) may accept an offer from the State or political subdivision to perform work on its behalf, or on behalf of a private nonprofit entity designated by the State or political subdivision, in order to continue to qualify for benefits after they have initially been judged eligible.

(2) The Secretary shall promulgate guidelines pursuant to paragraph (1) which, to the maximum extent practicable, enable a State or political subdivision to design and operate a program that is compatible and consistent with similar programs operated by the State or political subdivision.

(b) To be approved by the Secretary, a program shall provide that participants work, in return for compensation consisting of the allotment to which the household is entitled under section 8(a), with

each hour of such work entitling that household to a portion of its allotment equal in value to 100 percent of the higher of the applicable State minimum wage or the Federal minimum hourly rate under the Fair Labor Standards Act of 1938.

(c) No State or political subdivision that receives funds provided under this section shall replace any employed worker with an individual who is participating in a program under this section for the purposes of complying with section 6(d)(4). Such an individual may be placed in any position offered by the State or political subdivision that—

(1) is a new position;

(2) is a position that became available in the normal course of conducting the business of the State or political subdivision;

(3) involves performing work that would otherwise be performed on an overtime basis by a worker who is not an individual participating in such program; or

(4) that is a position which became available by shifting a current employee to an alternate position.

(d) The Secretary shall allocate among the States or political subdivisions in each fiscal year, from funds appropriated for the fiscal year under section 18(a)(1), the amount of \$75,000,000 to assist in carrying out the program under this section, during the fiscal year.

(e)(1) In making the allocation required under subsection (d), the Secretary shall allocate to each State operating a program under this section that percentage of the total funds allocated under subsection (d) which equals the estimate of the Secretary of the percentage of participants who are required to work under section 6(d)(4) that reside in such State.

(2) The State shall promptly notify the Secretary if such State determines that it will not expend the funds allocated it under paragraph (1) and the Secretary shall reallocate such funds as the Secretary deems appropriate and equitable.

(f) Notwithstanding subsection (d), the Secretary shall ensure that each State operating a program under this section is allocated at least \$50,000 by reducing, to the extent necessary, the funds allocated to those States allocated more than \$50,000.

(g) If, in carrying out such program during such fiscal year, a State or political subdivision incurs costs that exceed the amount allocated to the State agency under subsection (d)—

(d)(1) the Secretary shall pay such State agency an amount equal to 50 percent of such additional costs, subject to the first limitation in paragraph (2); and

(2) the Secretary shall also reimburse each State agency in an amount equal to 50 percent of the total amount of payments made or costs incurred by the State or political subdivision in connection with transportation costs and other expenses reasonably necessary and directly related to participation in a program under this section, except that such total amount shall not exceed an amount representing \$25 per participant per month for costs of transportation and other actual costs and such reimbursement shall not be made out of funds allocated under subsection (d).

(h) The Secretary may suspend or cancel some or all of these payments, or may withdraw approval from a State or political subdivision to operate a program, upon a finding that the State or political

subdivision has failed to comply with the requirements of this section.

* * * * *

ISSUANCE AND USE OF COUPONS

SEC. 7. (a) * * *

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(i)(1) * * *

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(6) This subsection shall not diminish the authority of the Secretary to conduct projects to test automated or electronic benefit delivery systems under section [17(f)] 17(e).

* * * * *

ELIGIBILITY DISQUALIFICATIONS

SEC. 6. (a) * * *

* * * * *

(i) An individual who is a member of a household who would otherwise be eligible to participate in the food stamp program under this section and who has been disqualified for noncompliance with program requirements from the program established by the State under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.) shall not be eligible to participate in the food stamp program during the period such disqualification is in effect.

ISSUANCE AND USE OF COUPONS

SEC. 7. (a) * * *

* * * * *

(i)(1)(A) Any State agency may, with the approval of the Secretary, implement an on-line electronic benefit transfer system in which household benefits determined under section 8(a) are issued from and stored in a central data bank and electronically accessed by household members at the point-of-sale.

[(B) No State agency may implement or expand an electronic benefit transfer system without prior approval from the Secretary.]

(1)(A) State agencies are encouraged to implement an on-line electronic benefit transfer system in which household benefits determined under section 8(a) or section 24 are issued from and stored in a central data bank and electronically accessed by household members at the point-of-sale.

(B) Subject to paragraph (2), a State is authorized to procure and implement an on-line electronic benefit transfer system under the terms, conditions, and design that the State deems appropriate.

(C) Upon request of a State, the Secretary may waive any provision of this Act prohibiting the effective implementation of an electronic benefit transfer system under this subsection.

(2) the Secretary shall issue final regulations effective no later than April 1, 1992, that establish standards for [the approval of] such a system. The standards shall include—

(A) determining the cost-effectiveness of the system to ensure that its operational cost, including the pro rata cost of capital expenditures and other reasonable startup costs, does not exceed, in any 1 year, the operational cost of issuance systems in use prior to the implementation of the on-line electronic benefit transfer system;

(B) defining the required level of recipient protection regarding privacy, ease of use, and access to and service in retail food stores;

(C) the terms and conditions of participation by retail food stores, financial institutions, and other appropriate parties;

(D) system security;

(E) system transaction interchange, reliability, and processing speeds;

(F) financial accountability;

(G) the required testing of system operations prior to implementation; and

(H) the analysis of the results of system implementation in a limited project area prior to expansion.

(3) In the case of a system described in paragraph (1) in which participation is not optional for households, [the Secretary shall not approve such a system unless—] *such system shall provide that—*

(A) a sufficient number of eligible retail food stores, including those stores able to serve minority language populations, have agreed to participate in the system throughout the area in which it will operate to ensure that eligible households will not suffer a significant reduction in their choice of retail food stores or a significant increase in the cost of food or transportation to participating food stores; and

(B) any special equipment necessary to allow households to purchase food with the benefits issued under this Act is operational—

(i) in the case of a participating retail food store in which coupons are used to purchase 15 percent or more of the total dollar amount of food sold by the store (as determined by the Secretary), at all registers in the store; and

(ii) in the case of other participating stores, at a sufficient number of registers to provide service that is comparable to service provided individuals who are not members of food stamp households, as determined by the Secretary.

* * * * *

SEC. 25. ENCOURAGEMENT OF ELECTRONIC BENEFIT TRANSFER SYSTEMS.

(a) Upon fully implementing an electronic benefit transfer system which operates in the entire State, a State may, subject to the provisions of this section, elect to receive a grant for any fiscal year to operate a low-income nutrition assistance program in such fiscal year in lieu of the food stamp program.

(b)(1) A State that meets the requirements of this section and elects to operate such program, shall receive each fiscal year under this section the sum of—

(A)(i) the total dollar value of all benefits issued under the food stamp program by the State during fiscal year 1994; or

(ii) the average per fiscal year of the total dollar value of all benefits issued under the food stamp program by the State during fiscal years 1992 through 1994; and

(B) the total amount received by the State for administrative costs under section 16(a) for fiscal year 1994 or the average per fiscal year of the total amount received by the State for administrative costs under section 16(a) for fiscal years 1992 through 1994.

(2) Upon approval by the Secretary of the plan submitted by a State under subsection (c), the Secretary shall pay to the State at such times and in such manner as the Secretary may determine, the amount to which the State is eligible under subsection (b)(1).

(c) To be eligible to operate a low-income nutrition assistance program under this section, a State shall submit for approval each fiscal year a plan of operation specifying the manner in which such a program will be conducted by the State. Such plan shall—

(1) certify that the State has implemented a statewide electronic benefit transfer system in accordance with section 7(i);

(2) designate a single State agency responsible for the administration of the low-income nutrition assistance program under this section;

(3) assess the food and nutrition needs of needy persons residing in the State;

(4) limit the assistance to be provided under this section to the purchase of food;

(5) describe the persons to whom such assistance will be provided;

(6) assure the Secretary that assistance will be provided to the most needy persons in the State and that applicants for assistance shall have adequate notice and fair hearings comparable to those required under section 11;

(7) provide that, in the operation of the low-income nutrition assistance program, there shall be no discrimination on the basis of race, sex, religion, national origin, or political beliefs; and

(8) include under information as may be required by the Secretary.

(d) Payments made under this section to the State may be expended only in the fiscal year for which such payments are distributed, except that the State may reserve up to 5 percent of the grant received for a fiscal year to provide assistance under this section in the subsequent fiscal year: *Provided*, That such reserved funds may not total more than 20 percent of the total grant received under this section for a fiscal year.

(e) The State agency shall keep records concerning the operation of the program carried out under this section and shall make such records available to the Secretary and the Comptroller General of the United States.

(f) If the Secretary finds that there is substantial failure by a State to comply with the requirements of this section, regulations issued pursuant to this section, or the plan approved under subsection

(c), then the Secretary shall take one or more of the following actions:

(1) suspend all or part of such payment authorized by subsection (b)(2) to be made available to such State, until the Secretary determines the State to be in substantial compliance with such requirements;

(2) withhold all or part of such payments until the Secretary determines that there is no longer failure to comply with such requirements, at which time the withheld payment may be paid; or

(3) terminate the authority of the State to operate the low-income nutrition assistance program.

(g)(1) States which receive grants under this section shall provide for—

(A) a biennial audit, conducted in accordance with the standards of the Comptroller General, of expenditures for the provision of nutrition assistance under this section; and

(B) not later than 120 days of the end of each fiscal year in which an audit is conducted, provide the Secretary with such audit.

States shall make the report of such audit available for public inspection.

(2) Not later than 120 days after the end of the fiscal year for which a State receives a grant under this section, such State shall prepare an activities report comparing actual expenditures for such fiscal year for nutrition assistance under this section with the expenditures for such fiscal year predicted in the plan submitted in accordance with subsection (c). Such State shall make the activities report available for public inspection.

(h) Whoever knowingly and willfully embezzles, misapplies, steals, or obtains by fraud, false statement, or forgery, any funds, assets, or property provided or financed under this section shall be fined not more than \$10,000 or imprisoned for not more than 5 years, or both.

* * * * *

VALUE OF ALLOTMENT

SEC. 8. (a) The value of the allotment which State agencies shall be authorized to issue to any households certified as eligible to participate in the food stamp program shall be equal to the cost to such households of the thrifty food plan reduced by an amount equal to 30 per centum of the household's income, as determined in accordance with section 5 (d) and (e) of this Act, rounded to the nearest lower whole dollar: *Provided*, That for households of one and two persons the minimum allotment shall be \$10 per month[, and shall be adjusted on each October 1 to reflect the percentage change in the cost of the thrifty food plan without regard to the special adjustments under section 3(o) for the 12-month period ending the preceding June, with the result rounded to the nearest \$5].

* * * * *

SEC. 8. (c)(1) * * *

(2) As used in this subsection, the term "initial month" means (A) the first month for which an allotment is issued to a household, (B)

the first month for which an allotment is issued to a household following any period [of more than one month] in which such household was not participating in the food stamp program under this Act after the expiration of a certification period or after the termination of the certification of a household, during a certification period, when the household ceased to be eligible after notice and an opportunity for a hearing under section 11(e)(10), and (C) in the case of a migrant or seasonal farmworker household, the first month for which allotment is issued to a household that applies following any period of more than 30 days in which such household was not participating in the food stamp program after previous participation in such program.

* * * * *

COLLECTION AND DISPOSITION OF CLAIMS

SEC. 13. (a)(1) The Secretary shall have the power to determine the amount of and settle and adjust any claim and to compromise or deny all or part of any such claim or claims arising under the provisions of this Act or the regulations issued pursuant to this Act, including, but not limited to, claims arising from fraudulent and nonfraudulent over issuances to recipients, including the power to waive claims if the Secretary determines that to do so would serve the purposes of this Act. Such powers with respect to claims against recipients may be delegated by the Secretary to State agencies. The Secretary shall have the power to reduce amounts otherwise due to a State agency under section 16 of this Act to collect unpaid claims assessed against the State agency if the State agency has declined or exhausted its appeal rights under section 14 of this Act. In determining whether to settle, adjust, compromise, or waive a claim arising against a State agency pursuant to section 16(c), the Secretary shall review a State agency's plans for new dollar investment in activities to improve program administration in order to reduce payment error, and shall take the State agency's plans for new dollar investment in such activities into consideration as the Secretary considers appropriate. To the extent that a State agency does not pay a claim established under section 16(c)(1)(C), including an agreement to have all or part of the claim paid through a reduction in Federal administrative funding, within 30 days from the date on which the bill for collection (*after a determination on any request for a waiver for good cause related to the claim has been made by the Secretary*) is received by the State agency, the State agency shall be liable for interest on any unpaid portion of such claim accruing from the date on which the bill for collection was received by the State agency, unless the State agency appeals the claim under section 16(c)(7). If the State agency appeals such claim (in whole or in part), the interest on any unpaid portion of the claim shall accrue from the date of the decision on the administrative appeal, or from a date that is [1 year] 2 years after the date the bill is received, whichever is earlier, until the date the unpaid portion of the payment is received. If the State agency pays such claim (in whole or in part, including an agreement to have all or part of the claim paid through a reduction in Federal administrative funding) and the claim is subsequently

overturned through administrative or judicial appeal, any amounts paid by the State agency shall be promptly returned with interest, accruing from the date the payment is received until the date the payment is returned. Any interest assessed under this paragraph shall be computed at a rate determined by the Secretary based on the average of the bond equivalent of the weekly 90-day Treasury bill auction rates during the period such interest accrues.

* * * * *

ADMINISTRATIVE COST-SHARING AND QUALITY CONTROL

SEC. 16. (a) * * *

(c)(1) The program authorized under this Act shall include a system that enhances payment accuracy by establishing fiscal incentives that require State agencies with high error rates to share in the cost of payment error and provide enhanced administrative funding to States with the lowest error rates. Under such system—

(A) the Secretary shall adjust a State agency's federally funded share of administrative costs pursuant to subsection (a), other than the costs already shared in excess of 50 percent under the proviso in the first sentence of subsection (a) or under subsection (g), by increasing such share of all such administrative costs by one percentage point to a maximum of 60 percent of all such administrative costs for each full one-tenth of a percentage point by which the payment error rate is less than 6 percent, except that only States whose rate of invalid decisions in denying eligibility is less than a nationwide percentage that the Secretary determines to be reasonable shall be entitled to the adjustment prescribed in this subsection;

(B) the Secretary shall foster management improvements by the States pursuant to subsection (b) by requiring State agencies other than those receiving adjustments under subparagraph (A) to develop and implement corrective action plans to reduce payment errors; and

(C) for any fiscal year in which a State agency's payment error rate exceeds the [national performance measure] *payment error tolerance level* for payment error rates announced under paragraph (6), other than for good cause shown, the State agency shall pay to the Secretary an amount [equal to—

[(i) the product of—

[(I) the value of all allotments issued by the State agency in the fiscal year; times

(II) the lesser of—

[(aa) the ratio of—

[(aaa) the amount of which the payment error rate of the State agency for the fiscal year exceeds the national performance measure for the fiscal year; to

[(bbb) the national performance measure for the fiscal year, or

[(bb) 1; times

[(III) the amount of which the payment error rate of the State agency for the fiscal year exceeds the national performance measure for the fiscal year. The

amount of liability shall not be affected by corrective action under subparagraph (B).] *equal to its payment error rate less such tolerance level times the total value of allotments issued in such a fiscal year by such State agency. The amount of liability shall not be affected by corrective action under subparagraph (B).*

* * * * *

- (3) The following errors may be measured for management purposes but shall not be included in the payment error rate:
- (A) Any errors resulting in the application of new regulations promulgated under this Act during the first [120 days] *60 days (or 90 days at the discretion of the Secretary)* from the required implementation date for such regulations.

* * * * *

(6) At the time the Secretary makes the notification to State agencies of their error rates and incentive payments or claims pursuant to paragraphs (1)(A) and (1)(C), the Secretary shall also announce a national performance measure that shall be the sum of the products of each State agency's error rate as developed for the notifications under paragraph (5) times that State agency's proportion of the total value of national allotments issued for the fiscal year using the most recent issuance data available at the time of the notifications issued pursuant to paragraph (5). Where a State fails to meet reporting requirements pursuant to paragraph (4), the Secretary may use another measure of a State's error developed pursuant to paragraph (5), to develop the national performance measure. The announced national performance measure *shall be used to establish a payment-error tolerance level. Such tolerance level for any fiscal year will be one percentage point added to the lowest national performance measure ever announced up to and including such fiscal year under this section. The payment-error tolerance level shall be used in determining the State share of the cost of payment error under paragraph (1)(C) for the fiscal year whose error rates are being announced under paragraph (5).*

(7) If the Secretary asserts a financial claim against a State agency under paragraph (1)(C), the State may seek administrative and judicial review of the action pursuant to section 14.

[(8)(A) This paragraph applies to the determination of whether a payment is due by a State agency for a fiscal year under paragraph (1)(C).

[(B) Not later than 180 days after the end of the fiscal year, the case review and all arbitrations of State-Federal difference cases shall be completed.

- [(C) Not later than 30 days thereafter, the Secretary shall—
- [(i) determine final error rates, the national average payment error rate, and the amounts of payment claimed against State agencies; and
 - [(ii) notify State agencies of the payment claims.

[(D) A state agency desiring to appeal a payment claim determined under subparagraph (C) shall submit to an administrative law judge—

[(i) a notice of appeal, not later than 10 days after receiving a notice of the claim; and

[(ii) evidence in support of the appeal of the State agency, not later than 60 days after receiving a notice of the claim.

[(E) Not later than 60 days after a State agency submit responsive evidence in support of the appeal, the Secretary shall submit responsive evidence in support of the appeal, the Secretary shall submit responsive evidence to the administrative law judge to the extent such evidence exists.

[(F) Not later than 30 days after the Secretary submits responsive evidence, the State agency shall submit rebuttal evidence to the administrative law judge to the extent such evidence exists.

[(G) The administrative law judge, after an evidentiary hearing, shall decide the appeal—

[(i) not later than 60 days after receipt of rebuttal evidence submitted by the State agency; or

[(ii) if the State agency does not submit rebuttal evidence, not later than 90 days after the State agency submits the notice of appeal and evidence in support of the appeal.

[(H) In considering a claim under this paragraph, the administrative law judge shall consider all grounds for denying the claim, in whole or in part, including the contention of a State agency that the claim should be waived, in whole or in part, for good cause.

[(I) The deadlines in subparagraphs (D), (E), (F), and (G) shall be extended by the administrative law judge for clause shown.]

[(9) As used in this subsection, the term “good cause” includes—

[(A) a natural disaster or civil disorder that adversely affects food stamp program operations;

[(B) a strike by employees of a State agency who are necessary for the determination of eligibility and processing of case changes under the food stamp program;

[(C) a significant growth in food stamp caseload in a State prior to or during a fiscal year, such as a 15 percent growth in caseload;

[(D) a change in the food stamp program or other Federal or State program that has a substantial adverse impact on the management of the food stamp program of a State; and

[(E) a significant circumstance beyond the control of the State agency.]

* * * * *

AUTHORIZATION FOR APPROPRIATIONS

SEC. 18. (a)(1) To carry out this Act, there [are authorized to be appropriated such sums as are necessary for each of the fiscal

years 1991 through 1995] *is provided to be obligated, not in excess of the cost estimated made by the Congressional Budget Office for this Act, as amended by the Food Stamp Simplification and Reform Act of 1995, for the fiscal year ending September 30, 1996, with adjustments for any estimates of total obligations for additional fiscal years made by the Congressional Budget Office to reflect the provisions contained in the Food Stamp Simplification and Reform Act of 1995* Not to exceed one-fourth of 1 per centum of the previous year's appropriation is authorized in each such fiscal year to carry out the provisions of section 17 of this Act, subject to paragraph (3). The Secretary shall, by the fifteenth day of each month, submit a report to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate setting forth the Secretary's best estimate of the second preceding month's expenditure, including administrative costs, as well as the cumulative totals for the fiscal year. [In each monthly report, the Secretary shall also state]. *Also, the Secretary shall file a report every February 15, April 15, and July 15, stating whether there is reason to believe that [supplemental appropriations] additional obligational authority will be needed to support the operation of the program through the end of the fiscal year.*

(2) No funds [authorized to be appropriated] *obligated* under this Act or any other Act of Congress shall be used by any person, firm, corporation, group, or organization at any time, directly or indirectly, to interfere with or impede the implementation of any provision of this Act or any rule, regulation, or project thereunder, except that this limitation shall not apply to the provision of legal and related assistance in connection with any proceeding or action before any State or Federal agency or court. The President shall ensure that this paragraph is complied with by such order or other means as the President deems appropriate.

* * * * *

(b) In any fiscal year, the Secretary shall limit the value of those allotments issued to an amount not in excess of the [appropriation] *total obligations limitation provided* for such fiscal year. Notwithstanding any other provision of this Act, if in any fiscal year the Secretary finds that the requirements of participating States will exceed the [appropriation], *obligational amount provided in subsection (a)(1)* the Secretary shall direct State agencies to reduce the value of such allotments to be issued to households certified as eligible to participate in the food stamp program to the extent necessary to comply with the provisions of this subsection.

(c) In prescribing the manner in which allotments will be reduced under subsection (b) of this section, the Secretary shall ensure that such reductions reflect, to the maximum extent practicable, the ratio of household income, determined under sections 5(d) and 5(e) *or under section 24* of this Act, to the income standards of eligibility, for households of equal size, determined under section 5(c) *or under section 24* of this Act. The Secretary may, in prescribing the manner in which allotments will be reduced, establish (1) special provisions applicable to persons sixty years of age or over and persons who are physically or mentally handicapped or otherwise disabled, [and] (2) minimum allotments after any reductions are otherwise determined under this section, *and (3) adequate and ap-*

propriate recommendations on how to equitably achieve such reductions.

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(f) **[No funds appropriated]** *None of the funds obligated to carry out this Act may be transferred to the Office of the Inspector General, or the Office of the General Counsel, of the Department of Agriculture.*

* * * * *

APPROVAL OF RETAIL FOOD STORES AND WHOLESALE FOOD CONCERNS

SEC. 9. (a)(1) Regulations issued pursuant to this Act shall provide for the submission of applications for approval by retail food stores and wholesale food concerns which desire to be authorized to accept and redeem coupons under the food stamp program and for the approval of those applicants whose participation will effectuate the purposes of the food stamp program. In determining the qualifications of applicants, there shall be considered among such other factors as may be appropriate, the following: (A) the nature and extent of the food business conducted by the applicant; (B) the volume of coupon business which may reasonably be expected to be conducted by the applicant food store or wholesale food concern; and (C) the business integrity and reputation of the applicant. Approval of an applicant shall be evidenced by the issuance to such applicant of a nontransferable certificate of approval. *The Secretary shall establish specific time periods during which authorization to accept and redeem coupons or redeem benefits through an electronic benefit transfer system under the food stamp program shall be valid. No retail food store or wholesale food concern shall be approved for participation in the food stamp program unless an authorized employee of the Department of Agriculture, wherever possible, or an official of the State or local government designated by the Department of Agriculture, has visited such retail food store or wholesale food concern for the purpose of determining whether such retail food store or wholesale food concern should be so approved.*

* * * * *

(d) Any retail food store or wholesale food concern which has failed upon application to receive approval to participate in the food stamp program may obtain a hearing on such refusal as provided in section 14 of this Act. *Such retail food store or wholesale food concern shall not submit an application under subsection (a)(1) for six months from the date of receipt of the notice of denial.*

* * * * *

CIVIL MONEY PENALTIES AND DISQUALIFICATION OF RETAIL FOOD STORES AND WHOLESALE FOOD CONCERNS

SEC. 12. (a)(1) Any approved retail food store or wholesale food concern may be disqualified for a specified period of time from further participation in the food stamp program, or subjected to a civil money penalty of up to \$10,000 for each violation if the Secretary determines that its disqualification would cause hardship to food stamp households, on a finding, made as specified in regulations,

that such store or concern has violated any of the provisions of this Act or the regulations issued pursuant to this Act.

(2) A retail food store or wholesale food concern that is disqualified from participating in the program under section 17 of the Child Nutrition Act of 1966 shall for such period of disqualification also be also be disqualified from participating in the food stamp program.

* * * * *

ADMINISTRATIVE AND JUDICIAL REVIEW

SEC. 14. (a) Whenever an application of a retail food store or wholesale food concern to participate in the food stamp program is denied pursuant to section 9 of this Act, or a retail food store or wholesale food concern is disqualified or subjected to a civil money penalty under the provisions of section 12 of this Act, or a retail food store or wholesale food concern forfeits a bond under section 12(d) of this Act, or all or part of any claim of a retail food store or wholesale food concern is denied under the provisions of section 13 of this Act, or a claim against a State agency is stated pursuant to the provisions of section 13 of this Act, notice of such administrative action shall be issued to the retail food store, wholesale food concern, or State agency involved. Such notice shall be delivered by certified mail or personal service. If such store, concern, or State agency is aggrieved by such action, it may, in accordance with regulations promulgated under this Act, within ten days of date of delivery of such notice, file a written request for an opportunity to submit information in support of its position to such person or persons as the regulations may designate. If such a request is not made or if such store, concern, or State agency fails to submit information in support of its position after filing a request, the administrative determination shall be final. If such request is made by such store, concern, or State agency, such information as may be submitted by the store, concern, or State agency, as well as such other information as may be available, shall be reviewed by the person or persons designated by the Secretary, who shall, subject to the right of judicial review hereinafter provided, make a determination which shall be final and which shall take effect thirty days after the date of the delivery or service of such final notice of determination. Determinations regarding claims made pursuant to section 16(c) (including determinations as to whether there is good cause for not imposing all or a portion of the penalty) shall be made on the record after opportunity for an agency hearing in accordance with section 556 and 557 of title 5, United States Code, in which one or more administrative law judges appointed pursuant to section 3105 of such title shall preside over the taking of evidence. Such judges shall have authority to issue and enforce subpoenas in the manner prescribed in sections 13 (c) and (d) of the Perishable Agricultural Commodities Act of 1930 (7 U.S.C. 499m (c) and (d)) and to appoint expert witnesses under the provisions of Rule 706 of the Federal Rules of Evidence. The Secretary may not limit the authority of such judges presiding over determinations regarding claims made pursuant to section 16(c). The Secretary shall provide a summary procedure for determinations re-

garding claims made pursuant to section 16(c) in amounts less than \$50,000. Such summary procedure need not include an oral hearing. On a petition by the State agency or *sua sponte*, the Secretary may permit the full administrative review procedure to be used in lieu of such summary review procedure for a claim of less than \$50,000. Subject to the right of judicial review hereinafter provided, a determination made by an administrative law judge regarding a claim made pursuant to section 16(c) shall be final and shall take effect thirty days after the date of the delivery or service of final notice of such determination. If the store, concern, or State agency feels aggrieved by such final determination, it may obtain judicial review thereof by filing a complaint against the United States in the United States court for the district in which it resides or is engaged in business, or, in the case of a retail food store or wholesale food concern, in any court of record of the State having competent jurisdiction, within thirty days after the date of delivery or service of the final notice of determination upon it, requesting the court to set aside such determination. The copy of the summons and complaint required to be delivered to the official or agency whose order is being attacked shall be sent to the Secretary or such person or persons as the Secretary may designate to receive service of process. The suit in the United States district court or State court shall be a trial *de novo* by the court in which the court shall determine the validity of the questioned administrative action in issue, except that judicial review of determinations regarding claims made pursuant to section 16(c) shall be a review on the administrative record. If the court determines that such administrative action is invalid, it shall enter such judgment or order as it determines is in accordance with the law and the evidence. During the pendency of such judicial review, or any appeal therefrom, the administrative action under review shall be and remain in full force and effect, unless on application to the court on not less than ten days' notice, and after hearing thereon and a consideration by the court of the applicant's likelihood of prevailing on the merits and of irreparable injury, the court temporarily stays such administrative action pending disposition of such trial or appeal. *Notwithstanding any other provision of law, the permanent disqualification of a retail food store or wholesale food concern under section 12(b)(3) shall be effective from the date of receipt of the notice of disqualification.*

* * * * *

VIOLATIONS AND ENFORCEMENT

SEC. 15. (a) * * *

* * * * *

[(g) The Secretary may subject to forfeiture and denial of property rights any nonfood items, moneys, negotiable instruments, securities, or other things of value that are furnished or intended to be furnished by any person in exchange for coupons, authorization cards or access devices, or anything of value obtained by use of an access device, in any manner contrary to this Act or the regulations issued under this Act. Any forfeiture and disposal of property for-

feited under this subsection shall be conducted in accordance with procedures contained in regulations issued by the Secretary.】

(g)(1) The court, in imposing sentence on a person convicted of an offense in violation of subsection (b) or (c), shall order, in addition to any other sentence imposed pursuant to this subsection, that the person forfeit to the United States all property described in paragraph (2).

(2) All property, real and personal, used in a transaction or attempted transaction, to commit, or to facilitate the commission of, a violation (other than a misdemeanor) of subsection (b) or (c), or proceeds traceable to a violation of subsection (b) or (c), is subject to forfeiture to the United States.

(3) No property shall be forfeited under this subsection to the extent of an interest of an owner, by reason of any act or omission established by that owner to have been committed to omitted without the knowledge or consent of that owner.

(4) The proceeds from any sale of forfeited property and any monies forfeited under this subsection shall be used—

(A) to reimburse the Department of Justice for the costs incurred by the Department to initiate and complete the forfeiture proceeding that caused the sale that produced such proceeds;

(B) to reimburse the Department of Agriculture Office of Inspector General for any costs it incurred in the law enforcement effort resulting in the forfeiture;

(C) to reimburse any Federal or State law enforcement agencies for any costs it incurred in the law enforcement effort resulting in the forfeiture;

(D) by the Secretary to carry out the approval, reauthorization, and compliance investigations of retail stores under section 9.

* * * * *

DEFINITIONS

SEC. 3. (a) * * *

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(d) “Coupon” means any coupon, stamp, [or type of certificate] type of certificate, authorization cards, cash or checks issued in lieu of coupons, or access devices, including, but not limited to, electronic benefit transfer cards or personal identification numbers issued pursuant to the provisions of this Act.

* * * * *

ELIGIBILITY DISQUALIFICATIONS

SEC. 6. (a) * * *

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(b)(1) Any person who has been found by any State or Federal court or administrative agency to have intentionally (A) made a false or misleading statement, or misrepresented, concealed or withheld facts, or (B) committed any act that constitutes a violation of this Act, the regulations issued thereunder, or any State statute, for the purpose of using, presenting, transferring, acquiring, receiv-

ing, or possessing coupons or authorization cards shall, immediately upon the rendering of such determination, become ineligible for further participation in the program—

(i) for a period of **[six months]** *1 year* upon the first occasion of any such determination;

(ii) for a period of **[1 year]** *2 years* upon—

(I) the second occasion of any such determination; or

(II) the first occasion of a finding by a Federal, State, or local court of the trading of a controlled substance (as defined in section 102 of the Controlled Substances Act (21 U.S.C. 802)) for coupons; and

(iii) permanently upon—

(I) the third occasion of any such determination;

(II) the second occasion of a finding by a Federal State, or local court of the trading of a controlled substance (as defined in section 102 of the Controlled Substances Act (21 U.S.C. 802)) for coupons; **[or]**

(III) the first occasion of a finding by a Federal, State, or local court of the trading of firearms, ammunition, or explosives for coupons**[.]** *or;*

(IV) a conviction of an offense under subsection (a) or (b) of section 15 involving items referred to in such subsection having a value of \$500 or more.

During the period of such ineligibility, no household shall receive increased benefits under this Act as the result of a member of such household having been disqualified under this subsection.

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ADMINISTRATION

SEC. 11. (a) * * *

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(e)(1) * * *

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(8) safeguards which limit the use or disclosure of information obtained from applicant households to persons directly connected with the administration or enforcement of the provisions of this Act, regulations issued pursuant to this Act, Federal assistance programs or federally assisted State programs, except that (A) such safeguards shall not prevent the use or disclosure of such information to the Comptroller General of the United States for audit and examination authorized by any other provision of law, (B) notwithstanding any other provision of law, all information obtained under this Act from an applicant household shall be made available, upon request, to local, State or Federal law enforcement officials for the purpose of investigating an alleged violation of this Act or any regulation issued under this Act, and (C) such safeguards shall not prevent the use by, or disclosure of such information, to agencies of the Federal Government (including the United States Postal Service) for purposes of collecting the amount of an overissuance of coupons, as determined under section 13(b) of this Act and excluding claims arising from an error of the State agency, that has not been recovered pursuant to such section, from Federal pay (includ-

ing salaries and pensions) as authorized pursuant to section 5514 of title 5 of the United States Code *or refunds of Federal taxes as authorized pursuant to section 3720A of title 31 of the United States Code;*

* * * * *

COLLECTION AND DISPOSITION OF CLAIMS

SEC. 13. (a) * * *

* * * * *

(d) The amount of an overissuance of coupons as determined under subsection (b) and except for claims arising from an error of the State agency, that has not been recovered pursuant to such subsection **[may]** *shall* be recovered from Federal pay (including salaries and pensions) as authorized by section 5514 of title 5 of the United States Code *or refunds of Federal taxes as authorized pursuant to section 3702A of title 31 of the United States Code.*

MINORITY VIEWS

For all who truly care about the poor and needy of this country, the Republican bill causes great concern. Although we are relieved that the Food Stamp Program, unlike the National School Lunch Program and other child nutrition programs, including the WIC program, will not be immediately turned into a block grant by this bill, the enormous reductions in funding will cause hungry people to no longer be able to attain a nutritionally adequate diet. As we strive to find ways to help poor parents achieve self-sufficiency, there is no excuse for limiting their ability to adequately feed their children.

The Food Stamp Program is the country's largest provider of food aid and one of its most extensive welfare programs. In FY 1994, it helped feed more than 1 in 10 people in this country. Half of the beneficiaries are children, and over 15 percent are elderly or disabled. More than 40 percent of the recipient households have monthly income BELOW 50 PERCENT of the poverty guideline, and only 20 percent have significant earnings.

The program has always been very responsive to changes in the economy in two major ways. In the first instance, each year, the size of a household's allotment is adjusted to reflect any changes in the cost of food. Here is how that works: Maximum monthly food stamp allotments are tied to the cost of purchasing a nutritionally adequate low cost diet, as measured by the U.S. Department of Agriculture, plus 3 percent.¹ This diet is called the Thrifty Food Plan (TFP), and it is the cheapest of four food plans designed by USDA. USDA determines the cost of a market basket of low cost food items necessary to maintain a nutritious diet. The TFP is priced monthly, and food stamp allotments are adjusted, up or down, each October to reflect the cost of the TFP in the previous June. The October adjustment in 1995 is expected to be an increase of approximately 3.5%, reflecting the percent of increase in the cost of food. This mechanism assures that no family will get less than what it needs to maintain its ability to purchase a nutritionally adequate, albeit low cost, diet.

This bill will limit any increases in the allotment to 2 percent annually. While the majority can argue that nominal benefits will not be reduced under their bill, BENEFITS WILL NO LONGER KEEP PACE WITH THE COST OF FOOD. Given current estimates of what will happen to food prices in the future, it is expected that in 2 years food stamp families will no longer receive benefits ade-

¹ Food stamp benefits are based on 103 percent of the Thrifty Food Plan to acknowledge the fact that food prices usually have increased between the time that the cost of the TFP is determined and the time that benefits are adjusted and distributed. (The cost of the TFP is determined in June, and benefits adjusted beginning the following October. Those adjusted benefits are not adjusted again until the next October, 15 months after the TFP adjustment.) This formula helps assure that families receive benefits reflective of the cost of food at the time they are purchasing the food.

quate to purchase a nutritionally adequate diet. Allotments will have fallen below 100 percent of the Thrifty Food Plan. Each year thereafter, under the majority's bill, benefits will be further eroded. We cannot stress enough the importance of maintaining a nutritionally adequate diet. It is the linchpin upon which this program is based and upon which all changes to the program must be measured. This bill completely abandons the principle that poor and hungry families deserve, at minimum, a nutritionally adequate diet.

In the second instance, the bill becomes even more unresponsive to economic fluctuations by making it extremely difficult for the program to respond to increases in need during recessions. It places a cap on annual food stamp expenditures at the exact dollar levels that the Congressional Budget Office estimates the program will cost given implementation of the provisions in the bill. The CBO projects low unemployment and assumes no recession in the next five years. We hope that this assumption is correct, but if it is wrong and the Nation faces a recession, benefits to poor and hungry families will be reduced. There is no provision for an upward adjustment of the cap if the number of beneficiaries rises during a recession. Any effort under those circumstances to raise the cap, under the 1990 Budget Enforcement Act, would be virtually impossible, since it would require an offsetting tax increase, a cut in another entitlement, or an emergency designation. At exactly the time when poor people need help most, they will receive less food assistance. The working poor, those most likely to lose jobs during a recession, will not have food benefits adequate to feed their families a healthy diet.

Everyone can agree that we need additional budgetary controls on our federal budget. However, this is a most inhumane way to achieve such control. Hunger cannot be capped. We must allow the one program that provides a minimal safety net to keep hunger at bay to respond to recessionary times.

We must conclude that the majority's bill is a cost savings bill, nothing more. There is little welfare reform in this bill. For example, there are no job training requirements in this bill. The current requirement that states provide employment and training to food stamp families is deleted, and funding for these activities is eliminated. Instead, the same level of funding is provided to states that choose to operate a program requiring that families work in public service jobs in return for their food stamp benefits. Currently, only 6 states operate such programs, and none of them are statewide. We do not accept the majority's assumptions that there are plenty of jobs available, and if hungry people are denied food benefits they will get a job. People do not prefer poverty over self-sufficiency. If given adequate job training and employment counseling, and if jobs are available, people will work. This bill provides no such incentives.

This process has not produced true welfare reform. Merely cutting the Food Stamp Program at some arbitrary level is not reform and no one should mistake it as such. This bill simply goes too far in undermining our federal food assistance safety net and leaves vulnerable our poor. In other areas, AFDC, WIC, school lunch, we are making radical reforms that when coupled with the changes in

the Republican bill greatly compromise our federal food safety net. Reason argues for leaving one program as the backstop in case reforms in the other programs fail.

For those who have worked on far-reaching and comprehensive legislation in the past, the process of reforming welfare in this Congress has been most disturbing. The frantic pace at which we are required to move has assured that very little thoughtful consideration and deliberation can take place. It is impossible to know the full implication of the bill's benefit reductions on the poor and hungry of this country without the CBO estimate. The majority many times during mark-up stated that the bill they presented for approval was believed to save \$16.5 billion over 5 years. A vote on a motion offered by the minority to delay mark-up until a CBO estimate was available was defeated on a party line vote. We have now learned that CBO estimates that the reductions in benefits that will result from the majority bill will equal over \$21 billion over 5 years. This situation is exactly what the minority had hoped to avoid. The concerns of the minority over \$16.5 billion in benefit reductions are magnified several times when the reductions exceed \$21 billion. A bill this important should not be finalized without knowing all of the budget implications and their impact on policy. This is no way to reform a program that is designed to keep our children from going hungry.

Finally, the minority is pleased that the committee approved a sense of the committee provision that reduction in spending resulting from implementation of this bill must go toward deficit reduction. We expect the majority to argue forcefully that this policy be adopted for the full welfare reform package that will be presented to the House later this month. There can be only two reasons to seek reductions in the Food Stamp Program—(1) to reduce the deficit and (2) to reallocate these resources in such a manner that allows the participants to achieve self-sufficiency (such as employment and training). Any attempt to use the savings to finance the tax cuts proposed by the House leadership will be roundly denounced by the minority members of this committee. We will not stand by and allow an erosion of food benefits for the poor to provide tax breaks for those who are far better off.

E (KIKI) DE LA GARZA.
 COLLIN PETERSON.
 CALVIN M. DOOLEY.
 CHARLIE STENHOLM.
 SAM FARR.
 TIM HOLDEN.
 SANFORD D. BISHOP, Jr.
 DAVID MINGE.
 BENNIE G. THOMPSON.
 EARL POMEROY.
 JAMES BALDACCI.
 HAROLD L. VOLKMER.
 ED PASTOR.
 KAREN L. THURMAN.
 GARY A. CONDIT.
 CYNTHIA A. MCKINNEY.
 GEORGE E. BROWN, Jr.

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EVA M. CLAYTON.
CHARLIE ROSE.
TIM JOHNSON.
EARL F. HILLARD.

ADDITIONAL VIEWS ON H.R. 1135 OFFERED BY MR. BROWN
OF CALIFORNIA

I am deeply concerned about the effects that the changes to the Food Stamp Program that have been endorsed by the Majority Members of this Committee will have on the poor in this country. Although these changes are being made under the guise of welfare reform, this bill is more representative of an exercise in budget cutting than it is an attempt to deal responsibly with the deep structural problems in our society which the growth of welfare expenditures represents.

What disturbs me most is the underlying assumption in the current welfare debate that the welfare system has attracted welfare recipients. In other words, the recipients of food stamps, AFDC, WIC, and all of the other programs we have established are living a comfortable life and are receiving these benefits because they are lazy and unwilling to work. If that is true, then we can eliminate poverty by eliminating the welfare system. But I do not believe this approach will result in anything other than leaving poor people without housing and food. I think we all know there are always some individuals who fall into the category of laziness, but I reject the notion that this is the majority. There are too many questions going unanswered in this debate. How many jobs are available? Do the jobs that are available pay a living wage? Are the people who are now receiving welfare benefits employable?

Anyone who has taken the time to visit poor neighborhoods in either our rural or urban neighborhoods knows that the welfare system is the symptom, not the problem. I am not suggesting that we do not need welfare reform. We do. However, I think it would require us to spend money, not to cut it. The diseases are unemployment, under-employment, a lack of adequate education and training, and an economy that is not generating enough jobs that pay a living wage to accommodate the growth in our population. H.R. 1135 provides no cures of the diseases; it merely attempts to mask the symptom by passing the responsibility to the States.

The Food Stamp Program was established so that we would not suffer the shame of having residents of the wealthiest, most agriculturally productive nation in the world go hungry. If this bill is enacted that is exactly what we will have.

Mr. Roberts and Mr. Emerson made a valiant effort to protect the federal nature of this program. However, upon more careful reading of this bill it is obvious that they succeeded only in that the block grant concept is openly acknowledged in only one section of this bill: Section 25 the Encouragement of Electronic Benefit Transfer. There are numerous reasons to maintain the Food Stamp Program as a federal program, but the most fundamental of these is to ensure a uniform nutritional standard.

H.R. 1135 will not provide that assurance. The erosion of benefits that will occur in the years to come will not keep pace with the food stamp program's underlying nutritional standard—the cost of the Thrifty Food Plan. Further, there are opportunities for the current federal nutritional standard to be lowered by the States.

Under Section 24, the Simplified Food Stamp Program, States can break with the long-standing food stamp policy of guaranteeing a national benefit floor by providing food stamp benefits to cash welfare recipients that are below those provided by the regular food stamp program. While they could increase benefits to other cash welfare families, the bill limits costs in such a way that increased benefits for some can only come at the expense of reducing benefits to others. When I offered an amendment to guarantee that households with children under the age of 18 would receive nutritional benefits under the simplified program at least equivalent to those guaranteed in the Food Stamp Act, it was rejected, in the name of "flexibility," as an unacceptable limitation on States' abilities to design a simplified program.

Section 24 also would permit States to "cash-out" food stamp benefits for households that have an individual who earns as little as \$350 per month. The purpose of having food stamp coupons (and electronic benefit transfer systems), as opposed to a cash allotment is to ensure that people purchase food. I fail to see how instituting this type of program flexibility for States will ensure the maintenance of a nutritional standard. Someone earning the annual equivalent of \$4,200 is not likely to be free of pressure to spend money on non-food necessities.

If under H.R. 1135 States are to have the ability to deny food stamp benefits, cash out food stamps, and decrease benefits levels below those guaranteed by the federal Food Stamp Act, H.R. 1135 does NOT maintain a federal nutritional safety net. Shakespeare wrote, "* * * a rose by any other name would still smell as sweet * * *" In this case, a covert block grant by the name of "simplified food stamp program" will functionally eliminate the federal nutritional safety net guaranteed to our population under the federal Food Stamp Act just as an overt block grant would.

I am not arguing for a simple continuation of this program as it currently exists. I believe we could make improvements on it. The fraud and errors that have been documented erode benefits of the program and they should be addressed. Our welfare system needs reform, and the goal of having all able-bodied adults participating in constructive employment is one that I share. Unfortunately, the current proposal does very little to move us in that direction. I cannot support a welfare reform proposal that is primarily punitive in nature and which offers no constructive solutions to this compelling social problem.

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