

STATE VERIFICATION TO ENSURE PRISONER
DISQUALIFICATION FROM FOOD STAMP PROGRAM

APRIL 8, 1997.—Committed to the Committee of the Whole House on the State of
the Union and ordered to be printed

Mr. SMITH of Oregon, from the Committee on Agriculture,
submitted the following

REPORT

[To accompany H.R. 1000]

[Including cost estimate of the Congressional Budget Office]

The Committee on Agriculture, to whom was referred the bill (H.R. 1000) to require States to establish a system to prevent prisoners from being considered part of any household for purposes of determining eligibility of the household for food stamp benefits and the amount of food stamp benefits to be provided to the household under the Food Stamp Act of 1977, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

BRIEF EXPLANATION

H.R. 1000 requires states to establish a system to verify that individuals detained in Federal, state, or county penal facilities are not counted as household members for purposes of determining eligibility or the level of benefits in the food stamp program.

The Secretary may waive the verification system requirement where the Secretary determines that extraordinary circumstances have made it impracticable for the state to obtain the information necessary to establish such a system.

PURPOSE AND NEED

On March 10, 1997, the General Accounting Office (GAO) released a report entitled, "Food Stamps: Substantial Overpayments Result From Prisoners Counted as Household Members." In this report, GAO sets forth findings and conclusions of its review of the problem of prisoners counted as household members in the food

stamp program. Prisoners are not permitted under the Food Stamp Act to be included in food stamp households or receive food stamp benefits.

GAO conducted computer matches of the 1995 food stamp rolls with state prison data in Florida, New York, Texas, and Los Angeles County, California and with local jail data in three metropolitan areas in these states (Dade County, Florida; New York City, New York; and Harris County, Texas). The GAO computer matches in these areas discovered 12,138 prisoners who were counted as members of food stamp households. GAO estimates that the inclusion of these individuals in food stamp households resulted in \$3.5 million in food stamp benefit overpayments in 1995. The inclusion of prisoners in food stamp households increases overpayments because household size is a factor in determining eligibility and benefit levels. By increasing the size of the household, the inclusion of the prisoner may make an ineligible household appear to be eligible or increase the level of food stamp benefits an eligible household receives.

GAO found that prisoners are able to participate in the food stamp program because welfare agencies seldom verify the composition of a household. Most state agencies simply rely on food stamp applicants to provide household information and to report subsequent changes, including the incarceration of a household member. Based on its review, GAO concludes that periodic computer matches of prison inmates with food stamp households is a cost effective technique for identifying households that improperly include prisoners as members.

The Committee believes that the GAO report identified a problem which is a significant concern. The Committee believes that public confidence and support of the food stamp program are undermined when a household receives a higher level of food stamp benefits than an identically situated household simply because the household receiving more food stamp benefits is illegally counting an incarcerated individual as a member. The Committee's concern is furthered by GAO's conclusion that a cost effective matching technique can be used to prevent this problem, but that many states have not done so.

Based on the findings and conclusions of GAO, the Committee believes that requiring states to establish a verification system is a cost effective method of preventing prisoners from being counted as members of food stamp households with a minimal burden or inconvenience on food stamp recipients and states. Additionally, requiring this verification will identify and reduce program fraud and increase collection of benefit overpayments.

SECTION-BY-SECTION ANALYSIS

Section 1. States required to establish system to prevent prisoners from being considered part of any household under the Food Stamp Act of 1977

Subsection (a) adds to the Food Stamp Act a requirement that states establish a system and take action on a periodic basis to verify that an individual who is detained in a correctional, detention, or penal facility administered under Federal or state law is not

considered to be part of any household. The Secretary may waive this verification requirement if the Secretary determines that extraordinary circumstance have made it impracticable for the state to obtain the information necessary to establish such a verification system.

While the Committee provides the Secretary the authority to waive the verification requirement, the Committee intends that the Secretary invoke this authority in truly extraordinary circumstances. One example of an extraordinary circumstance is a lack of computerized records of state or county inmate populations. Under such circumstances, the state could have great difficulty establishing a verification system and the Secretary may be justified in granting an exception. However, even under such circumstances, the Secretary should narrowly tailor the exception to address the specific situation giving rise to the exception. A state's receipt of a waiver from the verification system required by this Act in no way relieves a state of its obligation and responsibilities in administering the food stamp program to verify the accuracy of information provided by households or to enforce households responsibility to notify the state of any change in household status or circumstances.

Subsection (b) cross references the penalties against states contained in section 11(g) of the Act for failing to comply with the Food Stamp Act. Section 11(g) requires the Secretary to give notice to a state of its failure to comply with the Act. If a state continues to be in non-compliance, the Secretary may withhold a portion of the state's administrative funds. The Secretary may request the Attorney General to seek an injunction ordering the state to comply with the Act in addition to withholding administrative funds or as an alternative to withholding administrative funds.

Subsection (c) makes a conforming amendment to a cross reference in the Food Stamp Act.

Subsection (d) provides states one year from the date of enactment to comply with the provisions of this bill without risk of penalty.

COMMITTEE CONSIDERATION

The Committee on Agriculture met, pursuant to notice and with a quorum present, on March 12, 1997, to consider H.R. 1000 and other pending business. Chairman Smith recognized Mr. Goodlatte, Chairman of the Subcommittee on Department Operations, Nutrition, and Foreign Agriculture, for an explanation of H.R. 1000.

Mr. Goodlatte provided a brief explanation of the bill, and Mr. Stenholm was also recognized and spoke in favor of the bill.

After a brief discussion on the bill, Mr. Goodlatte moved that the bill, H.R. 1000, be adopted and favorably reported the House with a recommendation that it do pass. Mr. Goodlatte's motion was agreed to by a voice vote of the Committee with a majority quorum being present and the bill was ordered to be reported to the House with the recommendation that it do pass.

REPORTING THE BILL—ROLLCALL VOTES

In compliance with clause 2(1)(2) of rule XI of the House of Representatives, H.R. 1000, was reported by voice vote with a majority quorum present. There was no request for a recorded vote.

BUDGET ACT COMPLIANCE (SECTIONS 308, 403 AND 424)

The provisions of clause 2(1)(3)(B) of rule XI of the Rules of the House of Representatives and section 308(a)(1) of the Congressional Budget Act of 1974 (relating to estimates of new budget authority, new spending authority, 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(1)(3)(C) of rule XI of the Rules of the House of Representatives and sections 403 and 424 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 24, 1997.

Hon. ROBERT F. (BOB) SMITH,
*Chairman, Committee on Agriculture,
House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 1000, a bill to require states to establish a system to prevent prisoners from being considered part of any household for purposes of determining eligibility of the household for Food Stamp benefits and the amount of Food Stamp benefits to be provided to the household under the Food Stamp Act of 1997.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contacts are Dorothy Rosenbaum for federal costs and Marc Nicole for state and local impacts.

Sincerely,

JUNE E. O'NEILL, *Director.*

Enclosure.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

H.R. 1000—A bill to require states to establish a system to prevent prisoners from being considered part of any household for purposes of determining eligibility of the household for Food Stamp benefits and the amount of Food Stamp benefits to be provided to the household under the Food Stamp Act of 1997

Summary: H.R. 1000 would require states to establish a system to assure that prisoners are not counted as members of households that receive food stamps.

CBO estimates that H.R. 1000 would increase federal spending by \$1 million in fiscal year 1998, decrease federal spending by \$1 million in fiscal year 1999, and decrease federal spending by \$2 million in each subsequent fiscal year. The legislation affects direct spending; therefore, pay-as-you-go procedures would apply.

H.R. 1000 contains an intergovernmental mandate, as defined in the Unfunded Mandates Reform Act of 1995 (UMRA). CBO estimates that the net costs of complying with the mandate would not be significant. The bill would impose no new private-sector mandates as defined in UMRA.

Estimated cost to the Federal Government: The estimated budgetary impact of H.R. 1000 is shown in the table on the following page. CBO expects that, as a result of the legislation, about 15 states would establish automated systems for matching Food Stamp data with prison data. The new automated systems would slightly increase federal administrative costs, but would result in lower payments for Food Stamp benefits.

[By fiscal year, in millions of dollars]

	1997	1998	1999	2000	2001	2002
DIRECT SPENDING						
Food stamp spending under current law:						
Estimated budget authority	23,869	24,456	24,905	27,245	28,675	29,425
Estimated outlays	23,794	24,450	25,884	27,226	28,645	29,417
Proposed changes:						
Estimated budget authority	0	1	-1	-2	-2	-2
Estimated outlays	0	1	-1	-2	-2	-2
Food stamp spending under H.R. 1000:						
Estimated budget authority	23,869	24,457	25,904	27,243	28,673	29,423
Estimated outlays	23,794	24,451	25,883	27,224	28,643	29,415

The costs of this legislation fall within budget function 600 (Income Security).

Prisoners are currently not eligible to receive food stamps. If a member of a household receiving food stamps goes to prison, the remaining members should report the change to the local welfare office and the eligibility worker should adjust the household size and Food Stamp benefit accordingly. A recent General Accounting Office (GAO) report, *Food Stamps: Substantial Overpayments Result from Prisoners Counted as Household Members* (GAO-RCED-97-54), examined the incidence of prisoners being erroneously included in Food Stamp households. The report highlighted the usefulness of automated matches between Food Stamp and prison data as a way of investigating whether Food Stamp recipients are incarcerated.

H.R. 1000 would require states to amend their state Food Stamp plans to include a system for determining whether members of Food Stamp households are detained in penal systems administered under federal or state law. Currently, about 15 states have automated systems to match state Food Stamp data with state, and sometimes local, prison data. These states account for about half of all Food Stamp benefits. CBO assumes that a number of states would increase their efforts to verify whether Food Stamp recipients are incarcerated even in the absence of this legislation. The GAO report has heightened attention to the problem and increased the likelihood that states will share information with each other and that the Department of Agriculture (USDA) will encourage states to undertake data matches. On the other hand, some states may not have prison data that are sufficiently automated to follow for a data match with Food Stamp data. CBO assumes the Secretary of Agriculture would use the authority provided in the bill

and determine it impracticable for these states to undertake data matches. In these two situations—when a state would have done matches under current law and when, under the bill, the Secretary would determine it impracticable for a state to do matches—CBO estimates that H.R. 1000 would have no impact on the federal budget.

CBO expects, however, that as a result of this legislation an additional 15 states (accounting for 15 percent of Food Stamp benefits) would undertake data matches. Based on information from the GAO report and earlier USDA report on income verification, CBO estimates that the start-up costs of these systems would be about \$100,000 per state, resulting in \$1.5 million in total costs in 1998. The states and the federal government would split this cost because, under Food Stamp law, state administrative costs are shared at a 50 percent match rate. Ongoing administrative cost of less than \$500,000 a year would continue in later years from periodic data matches and related follow-up.

Furthermore, CBO estimates that the matching process in the 15 states cited above would result in lower Food Stamp benefits as caseworkers identify prisoners in Food Stamp households and reduce benefits accordingly. The GAO found \$3.5 million in Food Stamp benefits going to prisoners in the four states it studied [Florida, New York, Texas, and Los Angeles County, California]. These are areas with large prison populations, and all but California currently match data at the state level, through Texas began its matches after GAO completed the study. Based on the prison populations and Food Stamp case loads of the remaining states, CBO estimates that after the matches were fully operational, Food Stamp outlays would be lower by \$2 million a year as a result of the provision.

Finally, CBO expects that states will recoup some overissuances of benefits by lowering the future Food Stamp benefits of the households where the remaining members continue to receive food stamps after the prisoner is identified. States return to the federal government between 65 and 80 percent of collected overissuances and retain the remainder. CBO estimates that the amount of federal savings from collected overissuances would be less than \$500,000 a year.

Pay-as-you-go considerations: H.R. 1000 would increase direct spending by \$1 million in fiscal year 1998. Therefore, pay-as-you-go procedures would apply.

Estimated impact on State, local, and tribal governments: H.R. 1000 contains an intergovernmental mandate as defined in UMRA, but CBO estimates that the costs of complying with the mandate would not exceed the threshold established in that act. (UMRA estimates a threshold for intergovernmental mandates of \$50 million in 1996, adjusted annually for inflation.) The bill would require state Food Stamp agencies to establish a system to prevent prisoners from being considered part of any household under the Food Stamp Act of 1977. Based on information from GAO, USDA, and state Food Stamp administrators, we expect that about 15 states would comply with the mandate by developing automated systems to match Food Stamp rolls and prison rolls. CBO estimates that the cost of developing these systems in the states currently without

this capability would total about \$1.5 million and would be incurred in fiscal year 1998. As provided for in law, states would pay 50 percent of these administrative costs.

States would also incur ongoing administrative costs of less than \$500,000 a year after 1998 to conduct periodic data matches and to follow-up on cases. These costs would be largely offset, however, because states retain between 20 percent and 35 percent of the overissuances they collect.

The bill could result in additional savings to states to the extent that they use newly developed matching systems to identify prisoners who are erroneously receiving payments from the Temporary Assistance for Needy Families (TANF) program. CBO estimates the amount of state savings from such activities would total less than \$500,000 a year. The bill would not have any other significant impacts on the budgets of state and local government.

Estimated impact on the private sector: The bill would impose no new private-sector mandates as defined in UMRA.

Estimated prepared by: Federal cost—Dorothy Rosenbaum; impact on State, local, and tribal governments—Marc Nocole; impact on the private sector—Daniel Mont.

Estimate approved by: Robert A. Sunshine, Deputy Assistant Director for Budget Analysis.

CONSTITUTIONAL AUTHORITY STATEMENT

Pursuant to clause 2(1)(4) of rule XI of the Rules of the House of Representatives, the Committee finds the Constitutional authority for this legislation in Article I, section 8, clause 18, that grants Congress the power to make all laws necessary and proper for carrying out the powers vested by Congress in the Government of the United States or in any department or officer thereof.

OVERSIGHT STATEMENT

No summary of oversight findings and recommendations made by the Committee on Government Reform and Oversight as provided for in clause 2(1)(3)(D) of rule XI, and under clause 4(c)(2) of rule X of the Rules of the House of Representatives was available to the Committee with reference to the subject matter specifically addressed by H.R. 1000.

COMMITTEE OVERSIGHT FINDINGS

Pursuant to clause 2(1)(3)(A) of rule XI, and clause 2(b)(1) of rule X of the Rules of the House of Representatives, the Committee on Agriculture's oversight findings and recommendations are reflected in the body of this report.

COMMITTEE COST ESTIMATE

Pursuant to clause 7(a) of rule XIII of the Rules of the House of Representatives, the Committee report incorporates the cost estimate prepared by the Director of the Congressional Budget Office pursuant to sections 403 and 424 of the Congressional Budget Act of 1974.

ADVISORY COMMITTEE STATEMENT

No advisory committee within the meaning of section 5(b) of the Federal Advisory Committee Act was created by this legislation.

APPLICABILITY TO THE LEGISLATIVE BRANCH

The Committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of section 102(b)(3) of the Congressional Accountability Act (Public Law 104-1).

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

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

SECTION 11 OF THE FOOD STAMP ACT

ADMINISTRATION

SEC. 11. (a) * * *

* * * * *

(e) The State plan of operation required under subsection (d) of this section shall provide, among such other provisions as may be required by regulation—

(1) * * *

* * * * *

(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) * * *

* * * * *

(E) the safeguards shall not prevent compliance with paragraph (16) or (20)(B);

* * * * *

[(20) that the State agency shall establish a system and take action on a periodic basis to verify and otherwise assure that an individual does not receive coupons in more than one jurisdiction within the State;]

(20) that the State agency shall establish a system and take action on a periodic basis—

(A) to verify and otherwise assure that an individual does not receive coupons in more than one jurisdiction within the State; and

(B) to verify and otherwise assure that an individual who is officially detained in a correctional, detention, or penal facility administered under Federal or State law is not con-

sidered to be part of any household participating in the food stamp program, except to the extent that the Secretary determines that extraordinary circumstances have made it impracticable for the State agency to obtain the information necessary to do so.

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