

NLWJC - Kagan

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Welfare - Food Stamps Legislation



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

WR - Food Stamp
legislation

THE DIRECTOR

June 12, 1997

The Honorable Robert F. Smith
Chairman
Committee on Agriculture
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

As you know, the Administration and the bipartisan congressional leadership recently reached agreement on an historic plan to balance the budget by 2002 while investing in the future. The plan is good for America, its people, and its future, and we are committed to working with Congress to see it enacted.

The Bipartisan Budget Agreement includes \$1.5 billion in additional funding for the Food Stamp Program to increase support for work and provide States with flexibility to exempt individuals from the Food Stamp time limits due to hardship. I am writing to express the Administration's deep concerns with the Committee's plans to implement the Food Stamp provisions in the agreement and to provide our views on two amendments that may be offered during mark-up.

We appreciate the Committee's draft language to implement the 15 percent hardship exemption, which is consistent with the Administration's approach. However, we have deep reservations about the Committee's proposal for employment and training (E&T) funds for able-bodied childless adults aged 18-50. The agreement specifically states that existing Food Stamp E&T funds will be redirected and new capped mandatory funding added "to create additional work slots for individuals subject to the time limits." The agreement provides \$1 billion for this purpose. The Administration's legislative proposal creates 350,000 additional work slots over five years for individuals who want to work and would otherwise lose benefits if a work opportunity were not available. The Committee's planned approach does not achieve this end; it would create fewer than one-half the additional work opportunities for individuals facing the time limit.

The Committee proposal is seriously flawed for the following reasons:

- o **The proposal lacks performance standards and accountability to ensure that the new Federal funding creates additional work slots.** The Committee proposal gives States hundreds of millions of dollars without any meaningful provisions to ensure that they put forth additional efforts to provide work opportunities for persons facing the time limit. Without such performance measures, States can absorb the additional funds by

changing cost allocation schemes among current E&T activities or increasing the average cost of a slot.

- o **The lack of maintenance-of-effort provisions in the preliminary Committee bill would result in States using new Federal money to reduce significantly their spending on E&T.** Adequate maintenance-of-effort provisions are necessary to ensure that the legislation provides maximum work opportunities. In FY 1996, States provided \$73 million to fund E&T services for Food Stamp recipients. These existing State contributions are matched dollar for dollar at the Federal level. With the structure of the Committee's proposal for the new 100 percent Federal money, States can simply replace their funds with the new Federal money. We urge the Committee to strengthen the maintenance of effort requirements.
- o **The proposal funds work slots that do not meet the welfare reform statute's tough work requirements for Food Stamp recipients.** The Committee provisions allow States to spend unlimited amounts of the new 100 percent Federal money on work activities that don't create workfare slots or provide 20 hours of employment. The Committee provisions would allow all the money to be spent on job search. The Administration's proposal targets funds to work activities that meet the tough standards for 18-50s -- and provide opportunities for individuals willing to work.
- o **The provisions are out of line with performance requirements for other Federal work programs for welfare recipients.** The new Temporary Assistance for Needy Families (TANF) block grant includes explicit participation targets to ensure that States use block grant money to create work opportunities. States that do not achieve participation targets forfeit a portion of their grant. The Administration's proposal is consistent with this approach; the Committee proposal is not.

The Administration's proposal addresses accountability concerns, while giving States wide flexibility. It permits States to use 100 percent Federal funds to support work activities for individuals in areas waived from the time limits due to high unemployment or too few jobs. It also funds activities, such as job search. The Administration proposal, however, includes measures to ensure that the 100 percent Federal funding for these activities reimburses States at a rate that reflects the lower cost of providing these services. Better targeting of reimbursement rates, as well as the Administration's more accountable maintenance-of-effort requirements or measures with equivalent results, are essential to ensure that additional Federal funding for work slots yields additional opportunities rather than just supplanting State spending.

Amendments

The Administration understands that amendments may be offered that would allow Food Stamp operations to be privatized. While certain program functions, such as computer systems, can currently be contracted out to private entities, the certification of eligibility for benefits and

related operations (such as obtaining and verifying information about income and other eligibility factors) should remain public functions. The Administration believes that changes to current law would not be in the best interest of program beneficiaries and would strongly oppose such amendments.

We understand that an amendment may be offered in the Committee mark-up, the purpose of which is to prevent costs from increasing in Food Stamps due to cost-shifting for common functions from the new TANF block grant, which places a cap on TANF administrative costs. We understand the CBO baseline includes costs of over \$5 billion in FYs 98-02 because CBO assumes administrative cost shifting from TANF to Food Stamps and Medicaid. This proposal would reduce the extent of the cost-shift to the Food Stamp Program, yielding substantial savings against CBO's baseline, although it would not prevent cost-shifting to Medicaid and might even increase Medicaid costs. While the Administration is generally supportive of this effort -- to prevent States from changing cost allocation plans in order to shift greater administrative costs from the capped TANF block grant to the open-ended Food Stamp and Medicaid administrative costs that are matched by the Federal government -- we would need to carefully review the specific mechanism proposed. In particular, we would have serious reservations about proposals that would cap Food Stamp administrative costs.

The budget negotiators discussed the Food Stamp Program at considerable length and agreed to a \$1.5 billion restoration in funding. An amendment reducing Food Stamps and directing savings to other programs was neither raised nor included in the budget agreement. The Administration has strong reservations about such an approach.

The budget agreement reflects compromise on many important and controversial issues, and challenges the leaders on both sides of the aisle to achieve consensus under difficult circumstances. We must do so on a bipartisan basis.

I look forward to working with you to implement the historic budget agreement.

Sincerely,



Franklin D. Raines
Director

Identical letter sent to the Honorable Charles Stenholm

HR - food stamp legislative

The Honorable Richard Lugar
Chairman
Committee on Agriculture
United States Senate
Washington, DC 20510

Dear Mr. Chairman,

As you know, the Administration and the bipartisan congressional leadership recently reached agreement on a historic plan to balance the budget by 2002 while investing in the future. The plan is good for America, its people, and its future, and we are committed to working with Congress to see it enacted.

The Bipartisan Budget Agreement includes \$1.5 billion in additional funding for the Food Stamp Program (FSP) to increase support for work and provide the States with flexibility to exempt individuals from the food stamp time limits due to hardship. The Administration's bill, provided to you separately, the "Improved Food Stamp Program Work Requirements Act of 1997," is designed to provide the maximum number of work opportunities for individuals that would otherwise lose benefits because a work slot is not available, while recognizing the need for State administrative flexibility. I am writing to express the Administration's views on the Committee's plans to implement the food stamp provisions.

We appreciate that the Committee's draft language proposes to implement many of the provisions in a manner consistent with the Administration's approach. For example, we support the Committee's proposed method to implement the 15% hardship exemption, allocate funds for work slots and establish a two-tier performance-based reimbursement structure. However, we believe that the Committee's proposal could be improved by making more efficient use of work funds. The Administration's bill creates 350,000 additional work slots over 5 years for individuals that want to work, and would otherwise lose benefits if a work opportunity is not available. We estimate that the Committee's approach would create 100,000 fewer job opportunities over 5 years.

The Committee approach creates fewer opportunities for three reasons: 1) only three quarters of the 100% Federal work funds are targeted to 18-50s; 2) the proposal allows States to decrease their own work funds by 25% and replace it with new Federal funding; and 3) States can spend substantial portions of the funding on work activities that do not create additional work opportunities for individuals facing the three month time limit.

Like the Committee proposal, the Administration would permit States to use 100% Federal funds to support work activities for individuals in areas waived from the time limits due to high unemployment or too few jobs. It also would fund activities, such as job search. However, the Administration caps 100% Federal funding for these activities at a rate that reflects the lower cost of providing these services. Better targeting of the differential reimbursement rates, as well as the Administration's more accountable maintenance of effort requirements are

necessary to ensure that the additional Federal funding for work slots yields additional opportunities rather than just increased funding for States.

The budget agreement reflects compromise on many important and controversial issues, and challenges the leaders on both sides of the aisle to achieve consensus under difficult circumstances. We must do so on a bipartisan basis.

I look forward to working with you to implement the historic budget agreement.

Sincerely,

Franklin D. Raines
Director