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THE WHITE HOUSE

WASHINGTON

October 3, 1975



MEMORANDUM FOR: THE PRESIDENT
FROM: JIM CANNON
SUBJECT: Food Stamps

Following on our discussion yesterday, I submit the following comments and suggestions on the Food Stamp issue:

1. Options Before You

All of the five options before you will result in reductions in total costs and caseloads. Option I, which seemed to have the greatest staff support, reduces costs by an estimated 12% or approximately \$600 million. It has the effect of eliminating eligibility when income for a family of four reaches \$7680.

2. McGovern-Dole

While the proposal by Senators McGovern and Dole ^{has} ~~is~~ an income eligibility cut off level which on review appears to be nearly \$7900 (and can go as high as \$8500), it incorporates a number of factors such as eliminating the purchase requirements and special deductions for the elderly which at a minimum will result in cost increases of approximately \$750 million. The closeness of the \$7900 to the \$7680 of Option I is therefore a deceptive measure. (See Tab A for an impact analysis of this proposal.)

3. Buckley-Michel

Similarly, while the Buckley-Michel bill has an income cut off level of \$5050, which appears to be well below Option I's \$7680, it results in little additional savings because it increases benefits. Additionally, it has a severe work disincentive which runs counter to encouraging people to find employment. (See Tab B for an impact analysis of this proposal.)

4. CEA Option

If it is deemed necessary to have an option which has an income cut off level closer to Michel-Buckley you may wish to consider the option Alan Greenspan suggested. It would result in a cut off at about \$7500. It must be noted that the CEA option does not include the 30% purchase requirement (which was rejected by Congress earlier this year, but has now been accepted by McGovern-Dole) and utilizes a 3 month retrospective accounting period to accomplish any savings.

It is our judgment that a 3 month accounting period will only be accepted if it is coupled with elimination of the purchase requirement, thereby negating most of the savings achieved by the CEA option over Option I in our proposals. (See Tab C for an impact analysis of this proposal.)

5. Additional Variations

If you wish to consider another more restrictive option, I would suggest Option I with a standard deduction of \$85 instead of \$100 (McGovern-Dole suggest a \$125 deduction). This would result in an eligibility cut off level and program reduction rate on the same order as the CEA proposal, that is, approximately \$7500.

6. Additional Considerations

As a part of developing a position there are a couple of additional points you may wish to consider:

- USDA is scheduled to testify next Tuesday and Thursday. We originally intended that they review the program Tuesday and submit a proposal on Thursday. However, since the major press coverage is scheduled for Tuesday, it would be best if Agriculture can present our proposal on Tuesday.
- Senate Agriculture Committee staff have indicated that McGovern's "no purchase requirement" stand will not be strongly supported and that the Committee can be expected to maintain the purchase requirement.



- Buckley-Michel staff appear to be ready to lower their basic benefit and have a proposal which cuts program cost and participation in half. (See Tab B.)

7. Recommendation

I continue to believe that Option I is the best course of action. I would suggest that USDA recommend ~~this~~^{offer} in their testimony and that in addition you send the attached letter to Senator Talmadge and Dole, chairman and ranking member of the Senate Committee on Agriculture and Forestry. (A draft letter is at Tab D.)



THE MCGOVERN-DOLE PROPOSALA. Major Elements

- 30% benefit reduction rate
- standard deduction which varies by region of the country plus additional \$25 deduction for elderly
- no purchase requirement
- uses same accounting procedure; one month prospective
- benefit cutoff at about \$7900 (can go up to \$8500)

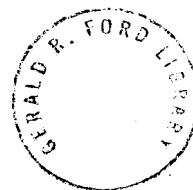
B. Impact

Costs:	+15%
Caseload:	+23%
Number of Eligibles:	-1.5%
Participants:	+22%

C. Regional Variations of McGovern-Dole Deduction

The McGovern-Dole proposal includes a standard deduction which varies by region of the country and by metropolitan and non-metropolitan area. The purpose of the variable deduction is to allow for extra expense in specific areas resulting from higher housing costs, heating and fuel costs, or general higher cost of living. An additional \$25 is added to the deduction level for the elderly.

<u>Region of Country</u>	<u>Metropolitan Area</u>	<u>Non-metropolitan Area</u>
South	\$117.50	\$97.50
Northeast	\$132.50	\$120.00
North Central	\$121.25	\$125.80
West	\$141.25	\$122.50



BUCKLEY-MICHEL PROPOSAL

A. Elements

- no deductions
- a benefit reduction formula which will be 30% for nearly everyone
- maintains purchase requirement
- maintains current accountable period
- benefits cutoff at \$5050 -- results in a work disincentive "notch" of about \$1200

B. Impact

Cost:	-6.1%
Caseload:	-29.2.%
Number of Eligible:	-51.6%
New Participants:	+0.5%

NOTE: Buckley-Michel staff have been considering moving away from the expensive "Low-Cost Diet Plan" to the "Economy" or "Thrifty" diet plans which are part of all other options. This would result in the following impact:

Cost:	-47%
Caseload:	-38.7%

It is significant that under this situation 100% of current recipients would be made worse off.



GREENSPAN-CEA PROPOSAL

A. Elements

- standard deduction of \$85.00
- current variable benefit reduction structure
- retain purchase requirement
- 3 month retrospective accounting period
- benefit cutoff point at about \$7500.

B. Impact

Costs:	-17%
Caseload:	-12%
Number of Eligibles:	-13%
New Participants:	+1%



Dear Senator:

The United States Department of Agriculture will present the Administration's proposal for reform of the food stamp program before your Committee this week.

As this will be the second time this year that the Administration will recommend efforts to control the costs of this program and to insure that benefits go only to the needy in an equitable and administratively simple fashion, it is pleasing to me to note that Congress has recognized the need to move in this direction.

Senator Buckley and Congressman Bob Michel have proposed legislation which would do much to correct and control the abuses of the program. Their proposal moves in directions which are responsive and responsible and I believe that many elements of their proposal can and should be incorporated in the approach the Administration will suggest before your Committee.

Other proposals before your Committee also contain a number of positive steps. Indeed it is interesting to note that the uniform purchase requirement rejected by Congress when I suggested it earlier this year has been incorporated in some of these other proposals.

Given the growing agreement on the part of Congress with my position that fundamental reform of the food stamp program is needed, I write to emphasize personally the Administration's readiness to work with Congress to insure that this program is controlled and its benefits are limited to those truly in need.

Gerald R. Ford

10/3/75

Option I

5050

1200
5050

5000
1200
6200

that --

on this form

1) Cash-out - no cashout
no elimination on
particular

~~7680~~

7680

7680

2) 5050 - → 7680
7680

600 - 1/4 - 12%



\$

vs 6.6 15.8
11.2

THE WHITE HOUSE

WASHINGTON

October 8, 1975

MEMORANDUM FOR: PHIL BUCHEN
MAX FRIEDERSDORF
ALAN GREENSPAN
ROBERT HARTMANN
JACK MARSH
WILLIAM SEIDMAN

FROM: JIM CANNON

SUBJECT: Food Stamp Statement

At the President's direction we are ready to propose in testimony tomorrow and in a Presidential message to Congress a Food Stamp Reform proposal which will reduce costs by \$1 billion and limit eligibility to those whose NET income is below the poverty level.

This program will include:

- A. A net income eligibility cut-off at \$5038 for a family of four.
 - This is income after the standard deduction.
- B. A standard deduction of \$100 a month to replace the current variable deductions.
 - There will also be deductions for payroll taxes.
- C. A uniform purchase requirement of 30% of net income.
- D. Measurement of income over the preceding 30 days for purposes of eligibility determinations.
- E. Elimination of categorical eligibility for recipients of public assistance.

Attached for your comments is a draft message to Congress on this reform proposal and its relationship to the tax cut-spending reduction proposal. I would appreciate your comments by 5:30 this evening.

THE WHITE HOUSE

WASHINGTON

October 16, 1975

MEMORANDUM FOR THE HONORABLE EARL L. BUTZ
SECRETARY OF AGRICULTURE

FROM: JIM CANNON *J. Cannon*
SUBJECT: Food Stamp Message

I would appreciate your comments on the attached draft message to Congress on the Food Stamp issue by 10:00 a.m. Friday, October 17, 1975.

Attachment



THE WHITE HOUSE

WASHINGTON

October 16, 1975

MEMORANDUM FOR : PHIL BUCHEN
MAX FRIEDERSDORF
ALAN GREENSPAN
ROBERT T. HARTMANN
JIM LYNN
JACK MARSH
PAUL O'NEILL
BILL SEIDMAN

FROM : JIM CANNON *Jm*

SUBJECT : Food Stamp Message

I would appreciate your comments on the attached draft message to Congress on the Food Stamp issue by 10:00 a.m. Friday, October 17, 1975.

Attachment



DRAFT

October 16, 1975

MESSAGE TO CONGRESS--FOOD STAMPS

I am pleased to submit today to Congress the Food Stamp Reform Act of 1975.

I call to the attention of the Congress the particular importance of this reform proposal for two reasons:

First, we--the Executive Branch and the Congress--must work together to reform a Federal assistance program that has been widely and flagrantly abused.

Second, we--the Executive Branch and the Congress--must begin now to work together to make those changes which will enable us to hold down federal spending in fiscal 1976 and meet the spending ceiling of \$395 billion for fiscal 1977.

My recommendations for dealing with the Food Stamp assistance program follow a fundamental principle on which I stand: The Federal government should help, within the limits of national resources, those who are in need; but we should not give one dollar of Federal assistance to those not in need.



The title of this proposal is identical to the title of a bill introduced by Senator Buckley in the Senate, Representative Michel in the House, and cosponsored by a number of other members of the House and Senate.

The Administration proposal and the Buckley-Michel bill are parallel in many respects, especially in limiting benefits to those who are at or below the poverty level.

Both proposals cut costs. Both concentrate benefits on the truly needy in a straightforward and fair manner. Both would achieve that most important objective of getting control over what has become the most rapidly growing cost in the Federal government.

The Administration proposal gives greater emphasis to the need for simplifying administration in order to reduce errors, eliminate abuses and reduce the costs of running the program.

In brief, the Administration proposal would:

1. Reduce costs by more than \$1 billion.
2. Limit eligibility to those whose net income--gross income less the standard deduction and withholding taxes--is below the poverty level. (\$5050 for a family of four).

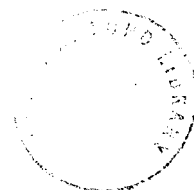
3. Increase benefits only for those at the very lowest income level.
4. Require everyone who receives food stamps to spend 30% of his or her net income for the stamps.
5. Eliminate abuses and cut the cost of administration by replacing current variable and complex deductions with a standard deduction of \$100 a month.
6. Measure income over at least the preceding 30 days for purposes of eligibility determinations.
7. Eliminate categorical eligibility for recipients of public assistance.

I believe these proposed changes, which are based on extensive studies by Executive Departments responsible for administering and supervising the Food Stamp program, are essential to real reform.

You also have before you the proposed Buckley-Michel Food Stamp Reform Act and other proposals for reforming food stamps.

The need to control the growth and abuse of the food stamp program is broadly recognized.

What we need now is action by Congress.



THE WHITE HOUSE

WASHINGTON

October 9, 1975

MEMORANDUM FOR: ART QUERN
FROM: JIM CANNON
SUBJECT: Food Stamps

As of this morning, the President wants to send the Food Stamps message and legislation to the Hill on Tuesday, October 21. On substance, there is still one difference. The President, after his meeting with the Republican Study Group, asked for an evaluation for four retrospective periods: 30 days, 60 days, 90 days, 180 days. I talked with Paul O'Neill this morning about this, and he says this evaluation can be made.

In addition to the fiscal evaluation, I think we should represent, in a new memo to the President evaluating each of these retrospective periods, the practical advantages and disadvantages of each period.

It seems to me that the President runs some risk of being unrealistic and even heartless if he expects a family which has been at the poverty level for more than 30 days to have the cash to buy food stamps.

We should also put on paper a press plan for the announcement on October 21 and a Congressional notification plan in advance of that date.

THE WHITE HOUSE

WASHINGTON

October 17, 1975

MEMORANDUM FOR: JIM CANNON

FROM: ART QUERN *ART*

SUBJECT: Food Stamps

The basic outline of the Food Stamp package is now as follows:

1. Net income is determined by:
 - measuring gross income over the previous 90 days to determine an average monthly income.
 - allowing a \$100 standard deduction.
 - an additional \$25 deduction for everyone over 60 years of age.
2. When this net income reaches the official OMB poverty level, \$5050 for a family of 4, eligibility ceases.
3. Eligible recipients are required to pay 30% of their net income for food stamps.

Key points of concern to the Buckley-Michel group which are in our bill or will be done administratively include:

Bill

1. \$100 standard deduction.
2. ^{*additional*} \$25 deduction for the aged. (~~\$100~~ \$100)
3. Uniform 30% purchase requirement.
4. Eliminate categorical eligibility.
5. Establish minimum age as age of majority in state.



6. Provide demonstration project authority.
7. Public assistance withholding at discretion of state agency (Buckley-Michel just say "local" we specify "state").
8. Provide 75% federal funding for the costs of investigations.

Administratively (By Secretary)

- 9.-11. Secretary to make consistent with SSI:
 - property limitations
 - assets test
 - property transfer
- 12.-17. Administrative Action re Insufficient Cash and Coupon Accountability
18. Central clearinghouse provision.

The following points are taken care of indirectly by our legislation:

19. Require earnings clearance (pt. 14).
20. Monthly income reporting (pt. 15).
21. Striker issue (pt. 8).
22. Revise outreach (pt. 10).

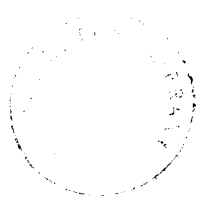
The following points can best be taken care of by initiating demonstration projects which will be committed to in testimony.

23. Photo I.D. (pt. 11).
24. Countersigning (pt. 12).

The following points are in **h**old status:

- state block grants (need info).
- work registration (day care).
- voluntarily unemployed (strikers)

cc: Max Friedersdorf Dick Feltner
Paul O'Neill



THE WHITE HOUSE
WASHINGTON

October 25, 1975

MEMORANDUM FOR:

JIM CANNON

FROM:

MAX FRIEDERSDORF

SUBJECT:

Food Stamps

Art Quern informs me that Tom McMurray rewrote our Food Stamp bill in at least two substantive areas:

1. On the I.D. card section, McMurray substituted our "authorization" language for "shall" within 120 days.
2. Despite our agreement with regard to measure of assets limited to cash, McMurray changed the bill to a complicated version to include all kinds of income.

These changes were made on McMurray's own initiative after agreement on the bill had been reached last Saturday night during discussions between Secretary Butz, Hyde Murray, McMurray and myself.

McMurray called last Monday after our bill had gone up to tell Art Quern and myself he was changing the bill and wanted our approval.

Both Art and I objected, insisting we had agreed on the Administration bill as submitted.

Our "pure" version has been introduced in the Senate by Talmadge, Buckley, Dole, et al.

The version introduced in the House is the Administration bill as amended unilaterally by McMurray.

In our testimony and any other pronouncements on this bill, I believe we should draw these distinctions and disavow the rewrite job by McMurray.

cc: Jack Marsh



File

[Feb. 1976]

OPTIONS FOR FOOD STAMP REGULATIONS PRIOR TO LEGISLATION

- I. There are three provisions which should form the nucleus of any attempt to reform the Food Stamp Program through promulgation of regulations:

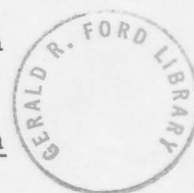
<u>Provisions</u>	<u>Estimated Annual Savings</u>
A. Use OMB poverty guidelines, coupled with the use of a standard deduction of \$100 (\$125 for a family with an elderly person) as a basis for maximum income eligibility.	Included in B below
B. Set the purchase requirement at a uniform 30% of net income.	\$700 million
C. Require 90-day retrospective income accounting.	<u>\$500 million</u>
Total	\$1.2 Billion

The above three provisions are the ones, of all those considered, which (a) provide the bulk of any potential dollar savings and (b) are provided for, at least in concept, in most of the Food Stamp reform bills which have been introduced (with the exception of retrospective accounting).

- II. A second group of possible provisions to be implemented through regulation is:

- A. Tighten coupon and cash accountability by State Agencies.
- B. Provide for monthly income reporting by participating households.
- C. Add requirement for strengthening work registration and job search to existing work requirement provisions.
- D. Limit participation by minors to those for whom no adult is legally responsible.

While the net dollar savings of these provisions is not substantial they would provide for a tightening of program management and would probably be viewed by the public as positive actions.



III. A third group of frequently discussed provisions includes:

- A. Substitute SSI resource limitations for those now in effect.
- B. Provide for nationwide implementation of photo identification and coupon counter-signatures.
- C. Establish participation and income clearance systems.

The cost-benefit ratio of these provisions is questionable. They represent the most controversial provisions and including them in a total regulatory package could erode support for those provisions that would save substantial amounts and that are generally felt to be needed. In addition all of these are difficult to implement and administer.

For bank's



THE WHITE HOUSE
WASHINGTON

INFORMATION

February 17, 1976

MEMORANDUM FOR THE PRESIDENT

FROM:

JIM CANNON
MAX FRIEDERSDORF

SUBJECT:

Food Stamp Reform

The purpose of this meeting is to discuss with Senators Scott, Griffin, and Buckley, and Representatives Rhodes and Michel, the best steps to take now to reform the food stamp program.

BACKGROUND

You decided in January 1976 to implement changes in the food stamp program by Administrative action because the Congress has not acted on your legislative proposal sent to the Hill last October.

In January 1975, when we proposed to change food stamp cost-sharing, the Congress reacted by passing legislation freezing the cost-sharing provisions. This became law without your signature. This legislative barrier to change expired on January 1, 1976, thus permitting Administrative action.

Also, the Congress reduced your \$3.9 billion supplemental funding request for FY 1975 and the Transition Quarter to \$1.8 billion. In explaining why the food stamp supplemental was reduced, Chairman Mahon said: "The food stamp program . . . was reduced \$2.1 billion because of the carryover of fiscal 1975 funds, lower than estimated participation, and in anticipation of the Department of Agriculture issuing stronger regulations."

(Emphasis added.)



Furthermore, the Appropriations Committee earmarked \$100,000 of the FY 1976 appropriation, "for the specific purpose of revising program regulations so as to minimize existing misuse and unwarranted expenditures." (Emphasis added.)

The FY 1977 budget assumed enactment of your reform proposals by February 1, 1976, and accordingly, we are showing \$400 million in anticipated savings in FY 1976 and \$1.2 billion in FY 1977.

CURRENT SITUATION

Representatives of USDA have been meeting with the staffs of Senator Buckley and Congressman Michel to discuss reform by regulation. Attached from the USDA (Tab A) is a memorandum setting forth the options for Administrative reforms in food stamp regulations.

Option I includes three provisions which would form the nucleus of Administrative reform of the food stamp program, and would save \$1.2 billion.

Senator Buckley and Congressman Michel would like to proceed to implement all proposed regulatory changes, i.e., Options II and III. We feel that this is unwise at the present time and would most likely result in court action or Congressional action to prevent Administrative reform.

Senator Talmadge has told Secretary Butz that he is marking up a Senate Agriculture Committee legislative reform package. Talmadge asked that we defer any Administrative reform since such an announcement might arouse the "hunger lobby."

However, even if the Senate passed a food stamp reform bill, it is most unlikely that the House will do so this year.

RECOMMENDATION

Jim Lynn, Earl Butz, and we recommend that you proceed with Option I. This package has the greatest impact (\$1.2 billion savings) and the best chance of being implemented.

PARTICIPANTS:

HOUSE

John Rhodes
Bob Michel

SENATE

Hugh Scott
Bob Griffin
James Buckley

Secretary Earl Butz
Under Secretary Jack Knebel
Assistant Secretary Richard Feltner

STAFF

Max Friedersdorf
Jim Cannon
Paul O'Neill
Art Quern



- I. There are three provisions which should form the nucleus of any attempt to reform the Food Stamp Program through promulgation of regulations:

<u>Provisions</u>	<u>Estimated Annual Savings</u>
A. Use OMB poverty guidelines, coupled with the use of a standard deduction of \$100 (\$125 for a family with an elderly person) as a basis for maximum income eligibility.	Included in B below
B. Set the purchase requirement at a uniform 30% of net income.	\$700 million
C. Require 90-day retrospective income accounting.	<u>\$500 million</u>
Total	\$1.2 Billion

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- A. Tighten coupon and cash accountability by State Agencies.
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While the net dollar savings of these provisions is not substantial, they would provide for a tightening of program management and would probably be viewed by the public as positive actions.

- III. A third group of frequently discussed provisions includes:

- A. Substitute SSI resource limitations for those now in effect.
- B. Provide for nationwide implementation of photo identification and coupon counter-signatures.
- C. Establish participation clearing house.

The cost-benefit ratio of these provisions is questionable. They represent the most controversial provisions and including them in a total regulatory package could erode support for those provisions that would save substantial amounts and that are generally felt to be needed. In addition all of these are difficult to implement and administer.



Butz -

2/17/76

Butz - & Kuebel -

Talmon -

1) Talmon meeting today & tomorrow to work up

2) anyone ~~the~~ not jeopardize his effort

3) get out to plan tomorrow

4) hopes the family close to what is proposed

5) if come out - will activate huge lobby -

6) run up 45 days

7) will know by tomorrow -

8) Rules can get him up on floor by 3/1/76

9) Dole getting, was reasonable
Butz wants him to come

12 noon

Good
Kuebel
Buddley
Winkel
Gusper

* want to write



* Work
Wednesday

ON - response
out on to all
men. No

*

Förder -

2/16/26

deposits not made.

money missing

14,000 pta in U.S. issue for stamps
buyer pays cash -
6,700 repaying pta -

\$9 of worth of coupons -

\$4 ~~B~~ paid in cash for coupons

12 vendors w/ ~~\$6~~^{5 1/2} up missing
across \$7 1/2 in late deposits

also 440 vendors, w/ 12 1/2 at
ftrm, may have \$1 missing
and 11 in late

Summ ^{5 1/2 up missing.}
\$7 1/2 late -

Distat - (Hodge Dodge of
Sales pta
freight stores, churches,

P - Good things 2/13/66

Get FR7 N
open again
to see them
a hard time

If they meet
unhappy, we'll
get some in
there



Eat - got some
John Knicker - Heltner

NEWS



from U.S. Senator HUGH SCOTT, Pennsylvania

Washington, D.C. 20510
(202) 224-7754

FOR IMMEDIATE RELEASE

10/23/75

Full Food stamps

Senate Republican Leader Hugh Scott of Pennsylvania said today he will support the Dole-McGovern food stamp reform bill because the Administration proposal "will present an undue hardship for millions of Americans who have a legitimate right to and a desperate need for food stamps.

"While both food stamp bills move in the same direction," Scott said, "the Administration proposal goes beyond the realm of streamlining and reform."

Senator Scott said the Administration proposal "will knock from the eligibility rolls somewhere between 3.5 and 6 million people. It establishes eligibility below the poverty level -- or a net income of \$5,050 for a family of four -- and also would require an assets limitation test."

Urging the Senate to give swift and favorable attention to the Dole-McGovern bill, Scott said "comprehensive and corrective legislation is needed now to improve and streamline the program which has become subject to both waste and abuses. The complaints leveled against the program cannot be dismissed lightly; they seem too well-founded for that."

Scott said "the merit of the Dole-McGovern bill lies in its simplicity. It is greatly needed to eliminate abuses, but also to allow the truly needy to continue to participate in the food stamp program." He said it would provide a positive step toward reform of the welfare system by:

-- Setting out a flat maximum allowable net income for a family of four at \$7,776.

-- Offering substantive and meaningful reform by establishing a single standard deduction formula to be used by all food stamp participants.

-- Simplifying the existing program by eliminating the purchase price requirement for food stamps and by adopting a uniform benefit ratio of 30 percent.

Deeply committed to improving the food stamp program, Scott has long been involved in legislation to reform the system.

Scott has sponsored legislation to facilitate the processing of applications and has consistently fought against what he termed restrictive measures which would arbitrarily and drastically reduce participation in the program.

###

CONTACT: Patricia Agnew
(202) 224-7753 (7754)
(301) 657-1978



(FULL STATEMENT ON REVERSE SIDE)

October 23, 1975

STATEMENT MADE ON THE SENATE FLOOR BY SENATE REPUBLICAN LEADER HUGH SCOTT OF PENNSYLVANIA:

MR. HUGH SCOTT. Mr. President, I am pleased today to join as a cosponsor of S. 2451, The Food Stamp Reform Act of 1975, a bill introduced by Senators Dole and McGovern. This bill holds the promise of alleviating the food stamp crisis.

I have long been involved in legislation to improve the food stamp program. Earlier this year I sponsored legislation to facilitate the processing of applications and I have consistently fought against restrictive measures which would arbitrarily and drastically reduce participation in the program.

However, the program has come under growing criticism for sloppy administration and rampant inequities. And because costs of the program as well as the number of participants have increased sharply in recent years, many charge that it has become a massive give-away program rife with abuses. Such charges cannot be dismissed lightly. The complaints seem too well-founded for that.

Obviously comprehensive and corrective legislation is now needed to improve and streamline this program which has become subject to both waste and abuse.

The Administration recently sent up its own Food Stamp Reform Act which sets out many of the same goals found in the Dole-McGovern Bill:

1. Establishment of a standard deduction
2. Elimination of automatic eligibility for welfare recipients
3. Prohibition of participation by students who are tax dependents of ineligible households

It is obvious that the two measures move in the same direction. Unfortunately, the Administration proposal goes beyond the realm of streamlining and reform. It will present an undue hardship for millions of Americans who have a legitimate right to and a desperate need for food stamps.

It has been estimated that the Administration proposal will knock from the eligibility rolls somewhere between 3.5 and 6 million people. It establishes eligibility below the poverty level, or at a net income of \$5050 for a family of four. The Administration bill will also require an assets limitation test.

The merit of the Dole-McGovern proposal, on the other hand, lies in its simplicity. It sets out a flat, maximum allowable net income for a family of four at \$7,776. It further offers substantive and meaningful reform by establishing a single standard deduction formula to be used by all food stamp participants. It simplifies the existing program by eliminating the purchase price requirement for food stamps and by adopting a uniform benefit ratio of 30 percent.

The legislation I join in sponsoring today provides a positive step toward reform of the welfare system. It is greatly needed to eliminate abuses, but also to allow the truly needy to continue to participate in the food stamp program. I hope it will receive the swift and favorable attention of the Agriculture Committee and of the full Senate.

#

WE 10-4

THE WHITE HOUSE
WASHINGTON

February 18, 1976

MEETING ON FOOD STAMP REFORM

Wednesday, February 18, 1976
5:00 p.m. (30 minutes)
The Cabinet Room

From: Jim Cannon
Max Friedersdorf

Jim Cannon
M.F.

I. PURPOSE

To discuss with Senators Scott, Griffin, and Buckley, and Representatives Rhodes and Michel, the best steps to take now to reform the food stamp program.

II. BACKGROUND, PARTICIPANTS, AND PRESS PLAN

A. Background

You decided in January 1976 to implement changes in the food stamp program by Administrative action because the Congress has not acted on your legislative proposal sent to the Hill last October.

In January 1975, when we proposed to change food stamp cost-sharing, the Congress reacted by passing legislation freezing the cost-sharing provisions. This became law without your signature. This legislative barrier to change expired on January 1, 1976, thus permitting Administrative action.

Also, the Congress reduced your \$3.9 billion supplemental funding request for FY 1975 and the Transition Quarter to \$1.8 billion. In explaining why the food stamp supplemental was reduced, Chairman Mahon said: "The food stamp program . . . was reduced \$2.1 billion because of the carryover of fiscal 1975



funds, lower than estimated participation, and in anticipation of the Department of Agriculture issuing stronger regulations." (Emphasis added.)

Furthermore, the Appropriations Committee earmarked \$100,000 of the FY 1976 appropriation, "for the specific purpose of revising program regulations so as to minimize existing misuse and unwarranted expenditures." (Emphasis added.)

The FY 1977 budget assumed enactment of your reform proposals by February 1, 1976, and accordingly, we are showing \$400 million in anticipated savings in FY 1976 and \$1.2 billion in FY 1977.

Congressional Situation

Representatives of USDA have been meeting with the staffs of Senator Buckley and Congressman Michel to discuss Administrative reform. Attached from the USDA is a memorandum setting forth the options for Administrative reforms in food stamp regulations (Tab A.)

Option I includes three provisions which would form the nucleus of Administrative reform of the food stamp program, and would save \$1.2 billion.

Option II would tighten management of the program, but the dollar savings are not substantial.

Option III includes provisions that are highly controversial, likely to provoke considerable opposition, and represent relatively small dollar savings.

Jim Lynn, Earl Butz, and we recommend that you proceed with Option I and II. This package has the greatest impact (at least \$1.2 billion savings) and the best chance of being implemented.

Senator Buckley and Congressman Michel would like to proceed to implement all proposed regulatory changes, i.e., Options I, II and III. We feel that issuing regulations proposed in Option III is unwise at the present time and would most likely result in court action or Congressional action to prevent Administrative reform.

Senator Talmadge has told Secretary Butz that he is marking up a Senate Agriculture Committee legislative reform package. Talmadge asked that we defer any Administrative reform since such an announcement might arouse the "hunger lobby."

However, even if the Senate passed a food stamp reform bill, it is most unlikely that the House will do so this year.

B. Participants

At Tab B.

C. Press Plan

To be announced. White House photographer.



OPTIONS FOR FOOD STAMP REGULATIONS PRIOR TO LEGISLATION

- I. There are three provisions which should form the nucleus of any attempt to reform the Food Stamp Program through promulgation of regulations:

<u>Provisions</u>	<u>Estimated Annual Savings</u>
A. Use OMB poverty guidelines, coupled with the use of a standard deduction of \$100 (\$125 for a family with an elderly person) as a basis for maximum income eligibility.	Included in B below
B. Set the purchase requirement at a uniform 30% of net income.	\$700 million
C. Require 90-day retrospective income accounting.	<u>\$500 million</u>
Total	\$1.2 Billion

The above three provisions are the ones, of all those considered, which (a) provide the bulk of any potential dollar savings and (b) are provided for, at least in concept, in most of the Food Stamp reform bills which have been introduced (with the exception of retrospective accounting).

- II. A second group of possible provisions to be implemented through regulation is:

- A. Tighten coupon and cash accountability by State Agencies.
- B. Provide for monthly income reporting by participating households.
- C. Add requirement for strengthening work registration and job search to existing work requirement provisions.

While the net dollar savings of these provisions is not substantial, they would provide for a tightening of program management and would probably be viewed by the public as positive actions.

- III. A third group of frequently discussed provisions includes:

- A. Substitute SSI resource limitations for those now in effect.
- B. Provide for nationwide implementation of photo identification and coupon counter-signatures.
- C. Establish participation clearing house.



The cost-benefit ratio of these provisions is questionable. They represent the most controversial provisions and including them in a total regulatory package could erode support for those provisions that would save substantial amounts and that are generally felt to be needed. In addition all of these are difficult to implement and administer.



PARTICIPANTS

House

John Rhodes
Bob Michel

Senate

Hugh Scott
Bob Griffin
James Buckley

Secretary Earl Butz
Under Secretary Jack Knebel
Assistant Secretary Richard Feltner

Staff

Max Friedersdorf
Jim Cannon
Paul O'Neill
Art Quern

THE WHITE HOUSE
WASHINGTON

February 18, 1976

*Food
Stamps*

MEETING ON FOOD STAMP REFORM

Wednesday, February 18, 1976
5:00 p.m. (30 minutes)
The Cabinet Room

From: Jim Cannon
Max Friedersdorf

Jim Cannon
M.F.

I. PURPOSE

To discuss with Senators Scott, Griffin, and Buckley, and Representatives Rhodes and Michel, the best steps to take now to reform the food stamp program.

II. BACKGROUND, PARTICIPANTS, AND PRESS PLAN

A. Background

You decided in January 1976 to implement changes in the food stamp program by Administrative action because the Congress has not acted on your legislative proposal sent to the Hill last October.

In January 1975, when we proposed to change food stamp cost-sharing, the Congress reacted by passing legislation freezing the cost-sharing provisions. This became law without your signature. This legislative barrier to change expired on January 1, 1976, thus permitting Administrative action.

Also, the Congress reduced your \$3.9 billion supplemental funding request for FY 1975 and the Transition Quarter to \$1.8 billion. In explaining why the food stamp supplemental was reduced, Chairman Mahon said: "The food stamp program . . . was reduced \$2.1 billion because of the carryover of fiscal 1975



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- II. A second group of possible provisions to be implemented through regulation is:
- A. Tighten coupon and cash accountability by State Agencies.
 - B. Provide for monthly income reporting by participating households.
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 - D. Limit participation by minors to those for whom no adult is legally responsible.

While the net dollar savings of these provisions is not substantial they would provide for a tightening of program management and would probably be viewed by the public as positive actions.



III. A third group of frequently discussed provisions includes:

- A. Substitute SSI resource limitations for those now in effect.
- B. Provide for nationwide implementation of photo identification and coupon counter-signatures.
- C. Establish participation and income clearance systems.

The cost-benefit ratio of these provisions is questionable. They represent the most controversial provisions and including them in a total regulatory package could erode support for those provisions that would save substantial amounts and that are generally felt to be needed. In addition all of these are difficult to implement and administer.

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Administrative reforms issued now -accord/ng
to Stu Spencer -- ~~would help~~ could help in New Hampshire
and ~~would~~ will certainly help in Florida.

~~Stu Spencer~~ Senator Talmadge wants the Administration
to delay administrative steps until he has a chance to
see what he can do with his bill in committee and in
the Senate.

We need Talmadge's ~~help~~ vote (and
~~Stu Spencer~~ Nunn's) on the jobs bill, according to Kendall,

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B

wait
Monrovia the for 3 III

Becky - D C

I. Jump get eggs
1) get common
2) get publication
over

1 It is no wonder some of the poorest of the poor do not know
2 whether or not they qualify. You have to be a Philadelphia
3 lawyer to figure out all the exemptions that go into reducing
4 gross income to net.

5 Why not just set a simple gross figure graduated by size
6 of family? Then it is much ~~cheaper~~ and easier to administer.

7 Mr. Hagedorn. The resource limitation, the assets, I
8 don't believe the Administration proposal covers this --
9 jewelry, furs, whatever you want to talk about. Am I
10 correct this is not covered?

11 Mr. Michel. That is right.

12 Mr. Hagedorn. Thank you. I think it should be covered.

Chairman Foley
Jan. 29, 1976
→ 13 The Chairman. A quorum call is under way, but the
14 record should show that the present eligibility standards and
15 present asset standards are exclusively determined by
16 regulation of the Department with the exception of Congressional
17 restriction on student participation.

18 All the standards and exemptions and deductions have been
19 provided by regulation of the Department of Agriculture in
20 cooperation with the Secretary of HEW. There has not been a
21 Congressional decision to mandate these exemptions and
22 deductions and whatever inadequacies are created in the program.
23 This has been determined by administration.

24 Also, I would like to make the point that what the
25 gentlemen propose in way of correction of the vendor problem.

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PARTICIPANTS

Councilman Robert Farrell (D)
Councilwoman Pat Russell (D)
Councilman Arthur K. Synder (R)
Councilman Robert M. Wilkinson (R)
Kenneth Spiker, Chief Legislative Analyst

JS

WRCHS

STAFF

Jim Cannon
Pat Delaney
Steve McConahey



DRAFT

Dear _____

I am deeply concerned by the failure of ^{the} Congress to enact seriously needed changes in the Food Stamp program.

Last October I proposed legislation to reform the Food Stamp program. My proposals were designed both to concentrate benefits on those truly in need and to correct the abuses and inequities of the current program. Under my plan, 24% of the participants would receive increased benefits. This represents nearly 5 million of our neediest citizens with incomes well below the poverty level. At the same time, overall program costs would be reduced by \$1.2 billion because those with incomes well above the poverty level would no longer be eligible.

As you know the Food Stamp appropriation passed by Congress in December clearly anticipated implementation of such substantial reform. Indeed, the appropriation bill passed by the Congress assumed that reform would take place promptly and reduced the amounts provided to pay ~~program~~ benefits accordingly. Without action it is clear that the funds appropriated will not be adequate to meet the costs of the program. But no action has yet been taken to change the law. Each day that goes by without enactment of the reform I proposed costs the taxpayers (more than ~~\$3.25 million~~). *addtional money.*

My budget anticipated legislative reform action by February 1st. We have passed that date and time is running out.

While statutory changes by the Congress would be the most desirable course of action, I do not believe we can afford to wait much longer. Lacking action by the Congress, there are only two courses open to me: to ask for more funds to continue the program as it is or to direct the Secretary of Agriculture to proceed administratively to reform the program through changes in regulations.

The first course is unacceptable to me because I believe the taxpayers have waited long enough for reform of this program. Therefore, in the absence of ^{prompt} ~~visible~~ progress toward substantial reform action by the Congress, ~~in the next few weeks~~, I will feel obligated to move administratively to put this program in order.