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MEETING WITH THE PRESIDENT
Thursday, October 16, 1975
2:15 p.m. Re: FOOD STAMPS
Oval Office

1)

7. Day case - 6-18 yrs old - satisfy Paul O'Neil

9 1/2. Don't want demo projects authority
~~to be to stay in~~

~~TR~~

only dem.

14. SU & Calif - checking union trust?

* Talk to O'NEILL.

8. Not aimed at strikes - "voluntary termination"
legally & in courts not as strikes.
at union & workers who quit to
go on welfare.

↳ Not applicable to members of
union participating in legally authorized
strikes.



Art toed them

The college students to parents

~~#~~ dependents ~~of~~ aren't eligible
if parents isn't eligible.

~~_____~~
~~_____~~
~~_____~~

want admission commitments
pledged to in

16. O'NEILL



DRAFT

MESSAGE TO CONGRESS--FOOD STAMPS

The time has come for meaningful food stamp reform.

First we must recognize that the Food Stamp program which has grown enormously since its inception a decade ago has brought and is bringing needed food assistance to millions of needy people. But it has, however, grown beyond its original mandate both in size and in complexity.

Thus it is now necessary to make needed changes in order to keep it from falling from the public's favor. Excessive costs, abuses, and unneeded aid should be pruned while assistance to the poor, the aged and those who for circumstances beyond their control are unable to obtain a decent diet should be expanded.

It is in that spirit, the spirit of providing dignified and humane help to those who are in need, but none to those who are not or should not be, that I am taking two basic steps today.

First, I am recommending the enactment of the "National Food Stamp Reform Act of 1975" which would:

1. Reduce costs by more than \$1.5 billion per year.
2. Limit eligibility to those whose gross income less the standard deduction is below the poverty level (\$5050 for a family of four).

3. Increase fiscal integrity by measuring income over at least the preceding 90 days for purposes of eligibility determinations, and requiring recipients to report their financial status on a monthly basis.
4. Increase benefits only for those at the very lowest income level.
5. Eliminate legal abuses and cut the cost of administration by replacing current variable and complex deductions with a standard deduction of \$100 a month.
6. Increase the standard deduction for households with elderly members to \$125 a month.
7. Establish minimum age requirements for young people attempting to qualify as a separate household.
8. Require able-bodied recipients to seek, accept and retain gainful employment.
9. Redefine outreach requirements and funding to provide for nutritional education and assistance and for more immediate receipt and processing of applications.
10. Minimize opportunities for illegal abuse by instituting photo-identification cards, and

replacing food stamp coupons with countersigned food stamp warrants.

11. Encourage aggressive enforcement efforts at the state and local levels by requiring 75% Federal funding for the costs of investigations, prosecutions, collections of Federal funds, and related activities.
12. Eliminate categorical eligibility for recipients of public assistance.
13. Require everyone who receives food stamps to spend 30% of his or her ~~net~~ income for the stamps.

~~14. Curb opportunities for criminal activity, by requiring more effective identification and by making food stamps into countersigned food warrants.~~

15. Provide Federal "block-grant" funding to the states as part of a new Federal/state funding of the food stamp program, enabling them to achieve savings and realize new revenue.

Second, I am directing the Secretary of Agriculture to exercise in accordance with due process of law his existing statutory authority to improve the administration of and delivery system for food stamps, as follows:



I also call to the attention of the Congress the particular importance of this reform proposal for another reason:

I sincerely hope that we--the Executive Branch and the Congress--can now begin to work together to make those changes which will help enable our government to hold down Federal spending in fiscal 1976 and meet the spending ceiling of \$395 billion for fiscal 1977.

I believe these proposed changes, which are based upon both extensive studies by Executive Departments responsible for administering and supervising the Food Stamp program and upon a realistic dialogue with a bi-partisan coalition of Congressional reformers, are essential to saving this program.

What we need now is action by the entire Congress.

Final Copy

SUMMARY OF RECOMMENDATIONS

EXPANDED ELIGIBILITY TO THE NON-NEEDY: PERSONS WITH HIGH INCOMES

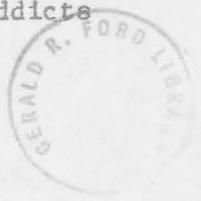
- Base eligibility upon gross, rather than net, income
- Prohibit eligibility on the part of anyone whose gross income exceeds the official poverty indices, as established and defined by the Office of Management and Budget
- Base purchase requirements upon the percentage of income expended for food by average household of same size and income range, with regional variations, as established by the most recent Consumer Expenditure Survey of Bureau of Labor Statistics, or 30%, whichever is less
- Adjust coupon allotments semi-annually by overall change in CPI, rather than food component alone
- Adjust purchase requirements in same fashion
- Place limitations upon property
- Evaluate property on market value, not equity
- Prohibit deliberate transfer of property
- Eliminate categorical eligibility of public assistance recipients

LEVEL OF BENEFITS TO THE GENUINELY NEEDY

- Substitute Low Cost Diet Plan for Economy Diet Plan, raising coupon allotments by 29%
- Reduce food stamp costs for the aged, with a \$25 monthly income deduction

ELIGIBILITY LOOPHOLES

- Establish minimum age as age of majority in state (to qualify as separate household)
- Require able-bodied recipients with no children under six to register for work, engage in proven job search, and participate in community work training programs, if established by the States, as a condition of eligibility *Now mandatory*
- Apply work registration and job search requirements to drug addicts and alcoholics who are involved in rehabilitation programs
- Prohibit eligibility when there is voluntary termination of employment without good cause.



- Halt the current practice of not referring persons to employment where union membership is required
- Preclude strikers from eligibility unless otherwise qualified
- Eliminate eligibility of college students as voluntarily unemployed, ^{anti-labor} _{means}
- Direct Secretary to establish precise criteria to preclude individuals living as one household from establishing eligibility as separate households
- Require 100% assumption by federal government of alien costs, ¹ with referral system to INS to determine legal status
- Require recognition, as income, of any other publicly funded program which provides cash or in-kind assistance to food stamp family for food or housing

ADMINISTRATIVE COMPLEXITIES

- Transfer program from USDA to HEW ^{OK}
- Provide demonstration project authority [?]
- Redirect outreach to provide for nutritional education and assistance and for more immediate receipt of and processing of applications, to relieve logjam and delays in processing; redirect funding to these purposes
- Make public assistance withholding optional at discretion of local agency

INSUFFICIENT CASH AND COUPON ACCOUNTABILITY

- Require immediate certification of deposits made by issuing agents to local entities
- Require fiscal sanctions against agents for failure to meet depositing requirements in a timely fashion
- Identify all receipts as federal funds, and prohibit any use for individual or corporate profit
- Revise coupon shipment procedures to insure local notification of time and quantity of coupon shipments, centrally compute adjustments to agents' orders and notify local entities of change in allotment tables, notify local entities when agents' order is adjusted, and assure that deliveries are made only to authorized persons
- Institute federal/local monthly reconciliation of records
- Require Postal Service to serve as issuing agents upon request of state and to assume normal liability of issuing agents



CRIMINAL ACTIVITIES (FRAUD, THEFT, COUNTERFEITING, BLACK MARKETING
ACTIVITIES) AND LAX RECIPIENT IDENTIFICATION

- Test*
Test
- Require photo identification card
 - Replace food stamp coupons with countersigned food stamp warrants
 - Provide 75% federal funding for the costs of investigations, prosecutions, collection of federal funds, and related activities
 - Require development of central clearing house of information and referral system to preclude recipients from receiving food stamps in more than one jurisdiction
 - Limit continuation for 30 days when recipient moves and require immediate reapplication and recertification
 - Require development of earnings clearance system to check actual earned income against income reported by households
 - Require monthly income reporting
- Under survey date a copy -*

PURPOSES OF PROGRAM

- Permit choice of commodities or food stamps by local jurisdictions
- Require Secretary to file annual report with Congress reviewing data collection status, quality control, and general character of program to insure cost/beneficial use of public funds for legitimately needy

FUNDING

- Set State participation in bonus value at same rate as AFDC, with system of "block grants" to States to offset added State costs



-- Income would be calculated on a three-month retrospective basis. Household eligibility is now determined by computing an estimate of future income anticipated during the upcoming months. This approach is inaccurate, cumbersome, and administratively complex. Retrospective accounting would apply an income determination to a moving 90-day period producing an average applied monthly income for purposes of eligibility. This would allow for more precision and quality control since it is a better measure of income a family has available to purchase food.

-- Benefits would be reduced by 30% as income increased. All households receiving food stamps will contribute a standard 30 percent of net monthly income for their Food Stamp allotment. Those participating households with no income would continue to be eligible for free stamps. This proposal is consistent with current requirements that the amount a household pays for its Food Stamps should not exceed 30 percent of the household's income. Under the proposed change, every household with the same income would have the same purchase requirement.

-- Participants in other welfare programs would no longer be automatically eligible for Food Stamps. The practice of automatically making recipients of Aid to Families with Dependent Children (AFDC) and Supplemental Security Income (SSI) eligible for Food Stamps creates an inequity, especially since working families may receive less income than welfare recipients and yet not be able to obtain Food Stamps which are automatically available to the welfare recipients. Income would be treated alike whether derived from public assistance or non-assistance sources. Moreover, this proposal will insure simplified computation of eligibility since certification workers need only compute one level of eligibility.

-- Food Stamp allotments will increase slightly and will continue to be adjusted for increases in the cost of food semi-annually.

Proposed Food Stamp Allotment

<u>Family Size</u>	<u>Food Stamp Allotment</u>
1	\$ 50
2	92
3	130
4	166
5	198
6	236
7	262
8	298

-- College students who are considered dependents by their families will only be eligible for Food Stamps if their families are eligible for Food Stamps. In addition, the legislation establishes the age of majority in each state as the minimum age for qualification as a separate household.

-- The legislation authorizes programs to test the effectiveness of using photo-ID cards and Food Stamp vouchers which require countersigning as means of eliminating abuses.

Impact

These reforms should achieve the following net effect upon the Food Stamp program:

- The Food Stamp program will serve only the poor.
- Significantly increased benefits of and participation by those truly in need.
- Estimated reduction in Federal benefits costs by approximately \$1.5 billion.
- Significantly improved program administration.

Examples

1. Low Income Family

A truly needy family of four with an annual income of \$3600 and monthly deductions of \$50 per month would receive \$91 per month in net benefits under the current program. Under the new proposal this family would receive \$113 per month in net benefits.

2. Aged Couple

An aged couple with an annual income of \$2800 per year and monthly deductions of \$50 per month would receive \$40 per month in net benefits under the current program. Under the proposed program, this same family would receive \$63 per month in net benefits.

-- Income would be calculated on a three-month retrospective basis. Household eligibility is now determined by computing an estimate of future income anticipated during the upcoming months. This approach is inaccurate, cumbersome, and administratively complex. Retrospective accounting would apply an income determination to a moving 90-day period producing an average applied monthly income for purposes of eligibility. This would allow for more precision and quality control since it is a better measure of income a family has available to purchase food.

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A BILL

To reform the Food Stamp Act of 1964 by improving and making more realistic various provisions relating to eligibility for food stamps and administrative responsibility for the food stamp program, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SEC. 1. This Act may be cited as the "National Food Stamp Reform Act of 1975".

SEC. 2. Section 3 of the Food Stamp Act of 1964, as amended, is amended as follows:

(a) Subsection (e) is amended to read:

"(e) The term 'household' shall mean a group of individuals who are sharing common living quarters, but who are not residents of an institution or boarding house, and who have access to cooking facilities and for whom food is customarily purchased in common: Provided, That residents of federally subsidized housing for the elderly, built under either Section 202 of the Housing Act of 1959 (12 U. S. C. 1701q) or Section 236 of the National Housing Act (12 U. S. C. 1715z-1) shall not be considered residents of an institution or boarding house. The term 'household' shall also mean (1) a single individual living alone who has cooking facilities and who purchases food for home consumption, or (2) an elderly person who meets the requirements of Section 10(h) of this Act."

(b) The second sentence of subsection (f) is revised to read: "It shall also mean a political subdivision or a private nonprofit organization or institution that meets the requirements of Section 10(h) of this Act."

(c) Subsection (n) is amended to read:

"(n) The term 'nutritionally adequate diet' means a diet costing no more than the value of the food required to feed a family of four persons consisting of a man and a woman 20-54; a child 6-8; and a child 9-11 years of age, determined in accordance with the thrifty food plan developed in 1975 by the Agricultural Research Service of the Department of Agriculture. The cost of such diet shall be the basis for uniform coupon allotments for all households, regardless of composition, except for household size adjustments and adjustments to reflect economies of scale set forth in the thrifty food plan."

SEC. 3. Section 4(b) of the Food Stamp Act of 1964, as amended, is amended to read:

"(b) In areas where the food stamp program is in operation, there shall be no distribution of federally donated foods to households under the authority of any other law except that distribution thereunder may be made for such period of time as the Secretary determines necessary to effect an orderly transition on an Indian reservation on which the distribution of federally donated foods to households is being replaced by a food stamp program:

Provided, That the Secretary shall not approve any plan submitted under this Act which permits any household to simultaneously participate in both the food stamp program and the distribution of federally donated foods: Provided further, That households may continue to receive such donated foods under separately authorized programs which permit commodity distribution on a temporary basis to meet disaster relief needs."

SEC. 4. Section 5 of the Food Stamp Act of 1964, as amended, is amended as follows:

(a) Subsection (b) is amended to read:

"(b) The Secretary shall establish uniform national standards of eligibility for participation by households in the Food Stamp Program and no plan of operation submitted by a State agency shall be approved unless the standards of eligibility meet those established by the Secretary.

The income standards of eligibility shall be the income poverty guidelines prescribed by the Office of Management and Budget pursuant to section 625 of the Headstart, Economic Opportunity, and Community Partnership Act of 1974 (42 U. S. C. 2971d), for the 48 States and the District of Columbia; Alaska; Hawaii; Puerto Rico; the Virgin Islands; and Guam, respectively:

Provided, That in no event shall the standards of eligibility so used in Puerto Rico, the Virgin Islands, and Guam exceed those in the fifty States.

The Secretary shall also prescribe additional standards of eligibility which shall include, but not be limited to: (1) the amounts of liquid and non-liquid assets to be used as criteria of eligibility; and (2) ^a ~~the period~~ ^{90 days} for which such income and assets shall be considered in determining the eligibility and benefit level of households. Household income for purposes of the Program shall be the gross income of the household less (1) a standard deduction of \$100 a month applicable to all households; and (2) an additional deduction of \$25 a month for any household in which there is at least one member who is age 60 or older. Gross income, for the purposes of the Program, shall

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include, but not be limited to, all money payments, except those for medical costs, made on behalf of the household by a person other than a member of the household: Provided, That the term shall not include payments in kind received by the household; the cost of producing self-employed income; and any monies which other Federal legislation specifically excludes from consideration as income for the purpose of determining eligibility for the Food Stamp Program.

The Secretary may also establish temporary emergency standards of eligibility for the duration of the emergency, without regard to income and other financial resources, for households that are victims of a disaster which disrupts commercial channels of food distribution when he determines that such households are in need of temporary food assistance, and that commercial channels of food distribution have again become available to meet the temporary food needs of such households.

(b) The first sentence of subsection (c) is amended by (1) deleting the word "sixty-five" and inserting in its place the word "sixty"; (2) by inserting immediately after "dependent children" and immediately before "or of incapacitated adults," the words "under the age of six"; (3) by deleting after "incapacitated adults," and immediately before the comma preceding "or persons", the words "bona fide students in any accredited school or training program"; (4) by designating clause (a) as clause (b), deleting the word "or" at end of the newly designated clause (b) and inserting a new clause (a) to read as follows:

"(a) Had a job covered by and is eligible for any State or Federal unemployment Compensation Law (including but not limited to the Railroad Unemployment Insurance Act, as amended, Title 2 of the Emergency Jobs and Unemploy-

ment Assistance Act of 1974, the Emergency Compensation and Special Unemployment Assistance Extension Act of 1975, the Hawaii Agricultural Unemployment Compensation Law, Virgin Island Unemployment Compensation Law, the Unemployment Law of Canada), or is entitled to a weekly assistance payment of an allowance with respect to unemployment under the Trade Act of 1974, the Disaster Relief Act of 1974, the Public Works and Economic Act of 1974, or any successor or similar legislation, as determined by the Secretary, and is under a disqualification pursuant to any such law because of voluntarily leaving any job or would be eligible for such payments but for such disqualification unless the household of which such person is a member was eligible for benefits under this Act immediately prior to such unemployment."

(5) by redesignating the current clause (b) as clause (c); (6) by deleting the period at the end of the first sentence and inserting ",or" and a new clause (d) to read as follows:

"(d) fails to inquire regularly about employment with prospective employers or otherwise fails to engage regularly in activities directly related to securing employment, as required by regulations issued by the Secretary."

(c) Subsection (c) is further amended by deleting the last sentence thereof.

(d) Section 5 of said Act is further amended by deleting subsection (d) and adding the following new subsections (d), (e), (f), (g), (h), and (i).

"(d) No individual shall be eligible to participate in the food stamp program unless he is a resident of the United States, and is either (1) a citizen or (2) an alien lawfully admitted for permanent residence or otherwise permanently residing in the United States under color of law (including any alien who is lawfully present in the United States as a result of the application of the

provisions of section 203(a)(7) or section 212(d)(5) of the Immigration and Nationality Act). If, in the application process, it becomes known or the State agency has reason to believe that an alien has entered or remained in the United States illegally, the State agency shall submit to the Department of Justice information indicating that a program applicant may be an illegally present alien."

"(e) No household shall be eligible to participate, or to continue to participate, in the food stamp program if it refuses to submit to the State agency information which will permit a determination as to its eligibility to participate or its level of participation in the program. The State agency shall disqualify from participation in the program any household which is found to have fraudulently obtained coupons: Provided, That such period of disqualification shall not exceed one year. The Secretary shall prescribe regulations setting forth the conditions under which households receiving benefits under this Act may be required to report changes in household circumstances, including, but not limited to, income, household size, and resources, once each month."

Student
"(f) No individual shall be considered a household member for food stamp program purposes if such individual: (1) has reached his 18th birthday; (2) is enrolled in an institution of higher education; and (3) is properly claimed as a dependent child for Federal income tax purposes by a taxpayer who is not a member of an eligible household."

"(g) No individual who is a minor in the State where application is made shall be considered a household member for the food stamp program if such minor resides in a household in which no other member has a legal duty to support such minor, unless (1) the individual who has a duty to support such minor is financially unable to perform that duty; or (2) no individual with such duty exists."



"(h) No household that knowingly transfers liquid or non-liquid assets for the purpose of qualifying or attempting to qualify for the food stamp program shall be eligible to participate in the program for such period of time as may be determined in accordance with regulations issued pursuant to this Act, but in no event shall such period of time be less than thirty days from the date of discovery of the transfer.

"(i) No recipient of supplemental security income shall be eligible to participate in the food stamp program if he resides in (1) a State which provides State supplementary payments of the type described in section 1616(a) of the Social Security Act, and (2) the level of which has been found by the Secretary of Health, Education and Welfare pursuant to section 8 of Public Law 93-233 to have been specifically increased so as to include bonus value of food stamps.

SEC. 5. Section 6 of the Food Stamp Act of 1964, as amended, is amended as follows:

(a) Subsection (a) is amended by adding the following sentence at the end thereof:

"The Secretary is authorized to require State agencies to issue photo-identification cards to households certified to participate in the Food Stamp Program."

(b) Subsection (c) is amended by deleting the period at the end of the first sentence and adding the following language:

"Provided, That the coupons may include signature blocks to be signed by the recipient at the time of issuance and at the time of use at the retail food store."

SEC. 6. Section 7 of the Food Stamp Act of 1964, as amended, is amended as follows:

(a) Subsection (a) is amended to read:

"(a) The face value of the coupon allotment which State agencies shall be authorized to issue to any households certified as eligible to participate in the food stamp program shall be in such amount as will provide such households a coupon allotment sufficient to allow them to purchase a nutritionally adequate diet as defined in section 3(n) of this Act: Provided, That in no event shall the face value of the coupon allotments so used in Puerto Rico, the Virgin Islands, and Guam exceed those in the fifty States. The face value of the coupon allotment shall be adjusted semi-annually by the nearest dollar increment that is a multiple of two to reflect changes in the prices of food published by the Bureau of Labor Statistics in the Department of Labor. Such changes shall be made in January and July of each year based upon the cost of food in the preceding August and February, respectively. In no event shall such adjustments be made for households of a given size unless the increase in the face value of the coupon allotment for such households, as calculated above, is a minimum of \$2.00."

(b) Subsection (b) is amended to read:

"(b) Notwithstanding any other provision of law, households shall be charged for the coupon allotment issued to them, and the amount of such charge shall be 30 per centum of the household's income, as determined in accordance with Section 5(b): Provided, however, That each household shall receive a minimum food stamp benefit of \$10."

SEC. 7. Section 10 of the Food Stamp Act of 1964, as amended, is amended as follows:

(a) Subsection (b) is amended by inserting in the first sentence immediately after "the issuance of coupons" and immediately before the proviso, the words "and the control and accountability thereof".

(b) Subsection (e) is amended by revising clause (5) to read:

from source information
"5) that the State agency shall carry out a ~~program~~ ^{workable} program, including the use of services provided by other federally funded agencies and organizations, designed to ~~ensure~~ ^{inform low income households} that all individuals who are or may become eligible for food stamp ~~benefits under this title may be fully informed of the availability and nature of such benefits, the locations where applications may be filed, and the steps to be taken in obtaining them;~~ ^{benefits} ~~of the food stamp program.~~

(c) Subsection (e) is further revised by inserting in clause (7), after the word "law", the following: ", and at the option of the State agency,"; by deleting "and" preceding clause (8) and striking the period at the end of clause (8); adding the following new clause (9): "; (9) for the payment to households of the bonus value of any coupon allotment which has been wrongfully denied, delayed, or terminated as a result of any administrative error on the part of the State agency; and adding the following new clause (10): "; and (10) the establishment of an earnings clearance system (which system shall be consistent with the Privacy Act of 1974, (5 U. S. C. 552a) insofar as it provides for the use of information from records of Federal agencies, and with any other applicable privacy laws insofar as it provides for the use of information from non-Federal records) for the purpose of checking the actual income and assets of a household against those reported by such household, except that the Secretary may exempt any State from the requirement of this clause if the Secretary determines that it would be impracticable or impossible for such State to comply with it."

(d) Subsection (f) is amended to read as follows:

"(f) If the Secretary determines that in the administration of the program there is a failure by a State agency to comply with the provisions of this Act, or with the regulations issued pursuant to this Act, or with the State plan of operation, he shall inform such



State agency of such failure and shall allow the State agency a designated period of time for the correction of such failure. If the State agency does not correct such failure within such specified period of time, the Secretary may alternatively or concurrently: (1) refer the matter to the Attorney General with a request that an injunction be sought to require compliance by the State agency and, at the suit of the Attorney General in an appropriate U. S. District Court the State agency may be so enjoined, or (2) direct that there be no further issuance of coupons in the political subdivisions where such failure has occurred until such time as satisfactory corrective action has been taken.

(e) Subsection (g) is amended by striking the word "gross" in the first sentence thereof.

(f) Subsection (i) is deleted.

SEC. 8. Section 12 of the Food Stamp Act of 1964, as amended, is amended by adding at the end thereof the following:

"Such claims include, but are not limited to, claims arising from fraudulent and non-fraudulent overissuances to recipients."

SEC. 9. Subsection (b) and (c) of Section 14 of the Food Stamp Act of 1964, as amended, are amended by striking out "\$5,000" and inserting in lieu thereof "\$1,000".

SEC.10. Section 15 of the Food Stamp Act of 1964, as amended, is amended as follows:

(a) Subsection (b) is amended by inserting the following wording at the end of clause(1) and immediately before the semi-colon: ", exclusive of those households in which all members are receiving assistance under federally aided public assistance programs;".

(b) A new subsection (c) is added to read:

"(c) Notwithstanding any other provision of this Act, the Secretary is authorized to pay to each State agency an amount equal to 75 per centum of all direct costs of State food stamp program investigations, prosecutions, and State activities related to recovering losses sustained in the food stamp program, except for the costs of such activities with respect to households in which all members are receiving assistance under federally aided public assistance programs.

SEC.11. The Food Stamp Act of 1964, as amended, is further amended by adding thereto a new section 18 to read as follows:

"CIVIL MONEY PENALTIES"

"Sec. 18 (a) Any person, including any State agency, other than a member of a household eligible to participate in the program or a retail food store authorized to accept or redeem food coupons for food or meals, who violates any provision of this Act or the regulations issued pursuant to this Act may be assessed a civil money penalty. The penalty shall not exceed \$10,000 for each violation. The penalty shall be assessed by the Secretary, or his delegate, by written notice.

"(b) In determining the amount of the penalty, the Secretary shall take into account the gravity of the violation, degree of culpability, any history of prior offenses, ability to pay, and such other matters as justice may require.

"(c) The person assessed shall be afforded an opportunity for an agency hearing, upon request made within thirty days after issuance of the notice of assessment. In such hearing, all issues shall be determined upon the record pursuant to section 554 of Title 5. The agency determination shall be made by final order which may be reviewed only as provided in subsection (d). If no hearing is requested as provided herein, the assessment shall constitute a final and unappealable order.

"(d) Any person against whom an order imposing a civil money penalty has been entered after agency hearing under this section may obtain review by the United States Court of Appeals for the Circuit in which the person resides or does business by filing a written notice of appeal in such court within sixty days from the date of such order, and simultaneously sending a copy of such notice by registered or certified mail to the Secretary. The Secretary shall promptly certify and file in such court the record upon which the penalty was imposed, as provided in section 2112 of Title 28. The findings of the Secretary shall be set aside if found to be unsupported by substantial evidence as provided by section 706(2)(e) of Title 5. Where the court upholds the Secretary's order, it shall enter judgment in favor of the United States in the amount of the penalty, which judgment may be registered in any United States District Court in accordance with the provisions of section 1963 of Title 28, United States Code.

"(e) If any person fails to pay an assessment after it has become a final and unappealable order, the Secretary shall refer the matter to the Attorney General, who shall recover the amount assessed by action in the appropriate United States District Court. In such action the validity and appropriateness of the final order imposing the penalty shall not be subject to review.

"(f) The Secretary may, in his discretion, compromise, modify or remit any civil penalty which is subject to imposition or has been imposed under this section.

"(g) The Secretary shall promulgate regulations establishing procedures necessary to implement this section."

A BILL

To reform the Food Stamp Act of 1964 by improving the provisions relating to eligibility, simplifying administration, and tightening accountability, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SEC. 1. This Act may be cited as the "National Food Stamp Reform Act of 1975".

SEC. 2. Section 3 of the Food Stamp Act of 1964, as amended, is amended as follows:

(a) Subsection (e) is amended to read:

"(e) The term 'household' shall mean a group of individuals who are sharing common living quarters, but who are not residents of an institution or boarding house, and who have access to cooking facilities and for whom food is customarily purchased in common: Provided, That residents of federally subsidized housing for the elderly, built under either Section 202 of the Housing Act of 1959 (12 U. S. C. 1701q) or Section 236 of the National Housing Act (12 U. S. C. 1715z-1) shall not be considered residents of an institution or boarding house. The term 'household' shall also mean (1) a single individual living alone who has cooking facilities and who purchases food for home consumption, or (2) an elderly person who meets the requirements of Section 10(h) of this Act."

(b) The second sentence of subsection (f) is revised to read: "It shall also mean a political subdivision or a private nonprofit organization or institution that meets the requirements of Section 10(h) of this Act."

(c) The present subsection (n) is deleted and the following language is substituted:

"(n) The term 'nutritionally adequate diet' means a diet costing no more than the value of the food required to feed a family of four persons consisting of a man and a woman 20-54; a child 6-8; and a child 9-11 years of age, determined in accordance with the thrifty food plan developed in 1975 by the Secretary. The cost of such diet shall be the basis for uniform coupon allotments for all households, regardless of composition, except for household size adjustments and adjustments to reflect economies of scale set forth in the thrifty food plan."

SEC. 3 Section 4(b) of the Food Stamp Act of 1964, as amended, is amended to read:

"(b) In areas where the food stamp program is in operation, there shall be no distribution of federally donated foods to households under the authority of any other law except that distribution thereunder may be made for such period of time as the Secretary determines necessary to effect an orderly transition on an Indian reservation on which the distribution of federally donated foods to households is being replaced by a food stamp program: Provided, That the Secretary shall not approve any plan submitted under this Act which permits any household to simultaneously participate in both the Food Stamp Program and the distribution of federally donated foods: Provided further, That households may continue to receive such donated foods under separately authorized programs which permit commodity distribution on a temporary basis to meet disaster relief needs."

SEC. 4. Section 5 of the Food Stamp Act of 1964, as amended, is amended as follows:

(a) Subsection (b) is amended to read:

"(b) The Secretary shall establish uniform national standards of eligibility for participation by households in the food stamp program and no plan of operation submitted by a State agency shall be approved unless the standards of eligibility meet those established by the Secretary.

The income standards of eligibility shall be the income poverty guidelines prescribed by the Office of Management and Budget adjusted pursuant to section 625 of the Economic Opportunity Act of 1964, as amended, (42 U.S.C. 2971d): Provided, That in no event shall the standards of eligibility for Puerto Rico, the Virgin Islands, and Guam exceed those in the fifty States. The Secretary shall utilize the preceding ninety day period in determining income for purposes of eligibility and benefit levels of households, provided that a longer period may be used as determined by the Secretary for households in which all members receive income from such sources as self-employment, agriculture, contract-work, and educational scholarships. The Secretary shall also prescribe additional standards of eligibility which shall include, but not be limited to, the amounts of liquid and nonliquid assets. Household income for purposes of the food stamp program shall be the gross income of the household less (1) a standard deduction of \$100 a month applicable to all households; and (2) an additional deduction of \$25 a month for any household in which there is at least one member who is age sixty or older. Gross income, for the purposes of the food stamp program, shall include, but not be limited to, all money payments, except those for medical costs, made on behalf of the

household: Provided, That the term shall not include payments in kind received by the household and the cost of producing self-employed income; and any monies which other Federal legislation specifically excludes from consideration as income for the purpose of determining eligibility for the food stamp program.

The Secretary may also establish temporary emergency standards of eligibility for the duration of the emergency, without regard to income and other financial resources, for households that are victims of a disaster which disrupts commercial channels of food distribution when he determines that such households are in need of temporary food assistance, and that commercial channels of food distribution have again become available to meet the temporary food needs of such households.

(b) The first sentence of subsection (c) is amended by (1) deleting the word "sixty-five" and inserting in its place the word "sixty"; (2) by inserting immediately after "dependent children" and immediately before "or of incapacitated adults", the words "under the age of six"; (3) by designating clause (a) as clause (b), deleting the word "or" at end of the newly designated clause (b) and inserting a new clause (a) to read as follows:

"(a) Had a job covered by and is eligible under any State or Federal unemployment compensation law (including but not limited to the Railroad Unemployment Insurance Act, as amended), Title II of the Emergency Jobs and Unemployment Assistance Act of 1974, the Emergency Compensation and Special Unemployment Assistance Extension Act of 1975, the Hawaii Agricultural

Unemployment Compensation Law, Virgin Island Unemployment Compensation Law, the unemployment law of Canada, or is entitled to a weekly assistance payment or an allowance with respect to unemployment under the Trade Act of 1974, the Disaster Relief Act of 1974, the Public Works and Economic Development Act of 1974, or any successor or similar legislation as determined by the Secretary, and is under a disqualification pursuant to any such law because of voluntarily leaving any job (or would be eligible for such payments but for such disqualification) unless the household of which such person is a member was certified for benefits under this Act immediately prior to such unemployment"; (5) by redesignating the current clause (b) as clause (c); (6) by deleting the period at the end of the first full sentence and inserting ", or" and a new clause (d) to read as follows:

"(d) Fails to inquire regularly about employment with prospective employers or otherwise fails to engage regularly in activities directly related to securing employment, as required by regulations issued by the Secretary."

(c) Subsection (c) is further amended by deleting the last sentence thereof.

(d) Section 5 of said Act is further amended by deleting subsection (d) and adding the following new subsections (d), (e), (f), (g), (h), and (i).

"(d) No individual shall be eligible to participate in the food stamp program unless he is a resident of the United States, and is either (1) a citizen or, (2) an alien lawfully admitted for permanent residence or otherwise permanently residing in the United States under color of law (including any alien who is lawfully present in the United States as a result of the application of the provisions of section 203(a)(7) or section 212(d)(5) of the Immigration

and Nationality Act). If, in the application process, it becomes known or the State agency has reason to believe that an alien has entered or remained in the United States illegally, the State agency shall submit to the Department of Justice information indicating that a program applicant may be an illegally present alien."

"(e) No household shall be eligible to participate, or to continue to participate, in the food stamp program if it refuses to submit to the State agency information which will permit a determination as to its eligibility to participate or its level of participation in the program. The State agency shall disqualify from participation in the program any household which is found to have fraudulently obtained coupons: Provided, That such period of disqualification shall not exceed one year. The Secretary shall prescribe regulations setting forth the conditions under which households receiving benefits under this Act may be required to report changes in households circumstances, including, but not limited to, income, household size, and resources, once each month."

"(f) No individual shall be considered a household member for food stamp program purposes if such individual: (1) has reached his 18th birthday; (2) is enrolled in an institution of higher education; and (3) is properly claimed as a dependent child for Federal income tax purposes by a taxpayer who is not a member of an eligible household."

"(g) No individual who is a minor in the State where application is made shall be considered a household member for the food stamp program if such minor resides in a household in which no other member has a legal duty to support such minor, unless (1) the individual who has a duty to support such minor cannot be

located or is financially unable to perform that duty; or (2) no individual with such duty exists."

"(h) No household that knowingly transfers liquid or non-liquid assets for the purpose of qualifying or attempting to qualify for the food stamp program shall be eligible to participate in the program for such period of time as may be determined in accordance with regulations issued pursuant to this Act, but in no event shall such period of time be less than thirty days from the date of discovery of the transfer.

"(i) No recipient of supplemental security income shall be eligible to participate in the food stamp program if he resides in a State which provides State supplementary payments of the type described in section 1616(a) of the Social Security Act, the level of which has been found by the Secretary of Health, Education and Welfare pursuant to section 8 of Public Law 93-233 to have been specifically increased so as to include the bonus value of food stamps.

SEC. 5 Section 6 of the Food Stamp Act of 1964, as amended, is amended as follows:

(a) Subsection (a) is amended by adding the following sentence at the end thereof:

"The Secretary is authorized to require a State agency to issue photo-identification cards to households certified to participate in the food stamp program."

(b) Subsection (c) is amended by deleting the period at the end of the first sentence and adding the following language:

"Provided, That the Secretary is authorized to require a State agency to issue coupons which include signature blocks to be signed by the recipient at the time of issuance and at the time of use at the retail food store."

SEC. 6 Section 7 of the Food Stamp Act of 1964, as amended, is amended as follows:

(a) Subsection (a) is amended to read:

"(a) The face value of the coupon allotment which State agencies shall be authorized to issue to any households certified as eligible to participate in the food stamp program shall be in such amount as will provide such households a coupon allotment sufficient to allow them to purchase a nutritionally adequate diet as defined in section 3(n) of this Act: Provided, That in no event shall the face value of the coupon allotments so used in Puerto Rico, the Virgin Islands, and Guam exceed those in the fifty States. The face value of the coupon allotment shall be adjusted semi-annually by the nearest dollar increment that is a multiple of two to reflect changes in the prices of food published by the Bureau of Labor Statistics in the Department of Labor. Such changes shall be made in January and July of each year based upon the cost of food in the preceding August and February, respectively. In no event shall such adjustments be made for households of a given size unless the increase in the face value of the coupon allotment for such households, as calculated above, is a minimum of \$2.00."

(b) Subsection (b) is amended to read:

"(b) Notwithstanding any other provision of law, households shall be charged for the coupon allotment issued to them, and the amount of such charge

shall be 30 per centum of the household's income, as determined in accordance with Section 5(b): Provided, however, That each household shall receive a minimum food stamp benefit of \$10.00."

SEC. 7. Section 10 of the Food Stamp Act of 1964, as amended, is amended as follows:

(a) Subsection (b) is amended by inserting in the first sentence immediately after "the issuance of coupons" and immediately before the proviso, the words "and the control and accountability thereof".

(b) Subsection (e) is amended by revising clause (5) to read:

"(5) That the State agency shall carry out a reasonable program, including the use of services provided by other federally funded agencies and organizations to inform low-income households concerning the availability and benefits of the food stamp program.

(c) Subsection (e) is further revised by inserting in clause (7), after the word "law", the following: ", and at the option of the State agency,"; by deleting "and" preceding clause (8) and striking the period at the end of clause (8); adding the following new clause (9): "; (9) for the payment to households of the bonus value of any coupon allotment which has been wrongfully denied, delayed, or terminated as a result of any administrative error on the part of the State agency; and adding the following new clause (10): "; and (10) the establishment of an earnings clearance system (which system shall be consistent with the Privacy Act of 1974, (5 U.S.C. 552a) insofar as it provides for the use of information from records of Federal agencies, and with any other applicable privacy law insofar as it provides for the use of information from non-Federal records) for the purpose of checking the actual income and assets of a household against those reported by such household, except that the Secretary

may exempt any State from the requirement of this clause if the Secretary determines that it would be impracticable or impossible for such State to comply with it."

(d) Subsection (f) is amended to read as follows:

"(f) If the Secretary determines that in the administration of the program there is a failure by a State agency to comply with the provisions of this Act, or with the regulations issued pursuant to this Act, or with the State plan of operation, he shall inform such State agency of such failure and shall allow the State agency a designated period of time for the correction of such failure. If the State agency does not correct such failure within such specified period of time, the Secretary may alternatively or concurrently: (1) refer the matter to the Attorney General with a request that an injunction be sought to require compliance by the State agency and, at the suit of the Attorney General in an appropriate U. S. District Court the State agency may be so enjoined, or (2) direct that there be no further issuance of coupons in the political subdivisions where such failure has occurred until such time as satisfactory corrective action has been taken.

(e) Subsection (g) is amended by striking the word "gross" in the first sentence thereof.

(f) Subsection (i) is deleted.

SEC. 8. Section 12 of the Food Stamp Act of 1964, as amended, is amended by adding at the end thereof the following:

"Such claims include, but are not limited to, claims arising from fraudulent and non-fraudulent overissuances to recipients."

SEC. 9. Subsection (b) and (c) of Section 14 of the Food Stamp Act of 1964, as amended, are amended by striking out "\$5,000" and inserting in lieu thereof "\$1,000".

SEC. 10. Section 15 of the Food Stamp Act of 1964, as amended, is amended as follows:

(a) Subsection (b) is amended by inserting the following wording at the end of clause (1) and immediately before the semi-colon: ", exclusive of those households in which all members are receiving assistance under federally aided public assistance programs;".

(b) A new subsection (c) is added to read:

"(c) Notwithstanding any other provision of this Act, the Secretary is authorized to pay to each State agency an amount equal to 75 per centum of all direct costs of State food stamp program investigations, prosecutions, and State activities related to recovering losses sustained in the food stamp program, except for the costs of such activities with respect to households in which all members are receiving assistance under federally aided public assistance programs.

SEC. 11. The Food Stamp Act of 1964, as amended, is further amended by adding thereto a new section 18 to read as follows:

"CIVIL MONEY PENALTIES"

"Sec. 18 (a) Any person, including any State agency, other than a member of a household eligible to participate in the program or a retail food store authorized to accept or redeem food coupons for food or meals, who violates any provision of this Act or the regulations issued pursuant to this Act may be

assessed a civil money penalty. The penalty shall not exceed \$10,000 for each violation. The penalty shall be assessed by the Secretary, or his delegate, by written notice.

"(b) In determining the amount of the penalty, the Secretary shall take into account the gravity of the violation, degree of culpability, any history of prior offenses, ability to pay, and such other matters as justice may require.

"(c) The person assessed shall be afforded an opportunity for an agency hearing, upon request made within thirty days after issuance of the notice of assessment. In such hearing, all issues shall be determined upon the record pursuant to section 554 of Title 5. The agency determination shall be made by final order which may be reviewed only as provided in subsection (d). If no hearing is requested as provided herein, the assessment shall constitute a final and unappealable order.

"(d) Any person against whom an order imposing a civil money penalty has been entered after agency hearing under this section may obtain review by the United States Court of Appeals for the Circuit in which the person resides or does business by filing a written notice of appeal in such court within sixty days from the date of such order, and simultaneously sending a copy of such notice by registered or certified mail to the Secretary. The Secretary shall promptly certify and file in such court the record upon which the penalty was imposed, as provided in section 2112 of Title 28. The findings of the Secretary shall be set aside if found to be unsupported by substantial evidence as provided by section 706(2)(e) of Title 5. Where the court upholds the Secretary's order, it shall enter judgment in favor of the United States in the amount of the

penalty, which judgment may be registered in any United States District Court in accordance with the provisions of section 1963 of Title 28, United States Code.

"(e) If any person fails to pay an assessment after it has become a final and unappealable order, the Secretary shall refer the matter to the Attorney General, who shall recover the amount assessed by action in the appropriate United States District Court. In such action the validity and appropriateness of the final order imposing the penalty shall not be subject to review.

"(f) The Secretary may, in his discretion, compromise, modify or remit any civil penalty which is subject to imposition or has been imposed under this section.

"(g) The Secretary shall promulgate regulations establishing procedures necessary to implement this section."

THE NATIONAL FOOD STAMP REFORM ACT OF 1975

SECTION-BY-SECTION ANALYSIS

SECTION 2

This section of the bill amends subsections (e), (f), and (n) of Section 3 of the Food Stamp Act of 1964, as amended. Section 3 defines the terms used in the Act.

Subsection 3(e) which defines the term "household" is amended to delete the requirement that household members under age 60 be related in order to qualify for the Food Stamp Program. This requirement was ruled unconstitutional by the Supreme Court in its decision in the case of Moreno v. USDA, 413 U.S. 528. The amendment will bring the Act into conformance with the Supreme Court decision.

The revised language eliminates the requirement that a household consist of an economic unit so that a household will for the purposes of the Act, be persons who share common living quarters and purchase food in common. The deletion of the "economic unit" criterion of eligibility will simplify the determination of which individuals constitute a household and will minimize the problem of individuals or groups of individuals living together applying as "separate" households.

The subsection retains as a household single persons living alone and purchasing food for home consumption, elderly persons eligible to purchase delivered meals or meals prepared by a designated private or public non-profit organization. Residents of federally subsidized housing for the elderly will also continue to be deemed not to be residents of institutions for the purposes of the Food Stamp Program.

The revised language further deletes from the household definition the language making eligible narcotic addicts or alcoholics who reside in a treatment or rehabilitation center. The provision is deleted in light of the difficulties in administering the Food Stamp Program in an institutionalized setting and the high potential for program abuse as a result of the misuse of coupons by center personnel.

The revised language also deletes the provision concerning Supplemental Security Income recipients.

Subsection 3(f) is revised to delete reference to Section 10(i) of the Act which refers to participation of addict and alcoholic treatment and rehabilitation centers in the food stamp program.

The definition in subsection 3(n) of a "drug addiction or alcoholic treatment and rehabilitation program" is deleted consistent with the revised household definition in subsection 3(e). The revised subsection 3(n) defines a "nutritionally adequate diet" as one that is based on the thrifty food plan developed in 1975 by the Department.

SECTION 3

This section of the bill revises subsection (b) in Section 4 of the Food Stamp Act of 1964, as amended.

Subsection 4(b) has been revised to permit concurrent operation of the food stamp and food distribution programs on Indian reservations for a period of transition from the distribution to the stamp program. The present Act provides authority to operate both programs in an area (1) during a period of transition from commodities to food stamps, (2) on request of the State agency, and (3) during temporary emergency situations. Since the food distribution program is being replaced by the food stamp program, authority for the simultaneous operation of both programs at the request of the State agency is unnecessary. However, a number of Indian reservations encountered difficulty implementing the food stamp program on the reservations by July 1, 1974, so authority for concurrent operation of the food stamp and food distribution programs is justified during the transitional period on such reservations.

In the case of disasters, authority is provided under other law to make commodities available under programs under which commodities are distributed on an emergency or temporary basis to meet disaster relief needs.

SECTION 4

This section of the bill revises subsections (b) and (c), deletes subsection (d); and adds new subsections (d), (e), (f), (g), (h) and (i) to Section 5 of the Act.

The revised subsection 5(b) authorizes the Secretary to establish uniform national standards of eligibility for the food stamp program. It also requires that the income standards of eligibility be the income poverty guidelines prescribed by the Office of Management and Budget adjusted pursuant to section 625 of the Economic Opportunity Act of 1964, as amended, (42 U.S.C. 2971d). Application of these guidelines will, in effect, terminate categorical eligibility of public assistance households whose income is above such guidelines. These poverty guidelines replace the current method of determining maximum income levels as the point at which the coupon allotment equals 30 percent of net income.

The revised subsection provides that the Secretary will use the average monthly income actually received during the 90-day period prior to application in determining income of households, but permits longer periods to be used for individuals who receive income from such sources as self-employment, contract work, and educational scholarships and grants. The use of prior months' income combined with a monthly reporting requirement would replace the current method of anticipating a household's circumstances and relying on households to voluntarily report changes.

The revised language also provides a definition of gross income to be used for program purposes. The definition includes vendor payments, except for medical vendor payments, and excludes the costs of producing self-employment income. In-kind benefits are excluded including the present

statutory provisions for the housing payments-in-kind. Also, Federal legislation which specifically exempts payments from food stamp income is recognized.

A monthly standard deduction of \$100 replaces the itemized deductions now allowed by regulation, such as expenses for medical and educational fees, child care, support payments, and excess shelter costs. A standard deduction will make more equitable the distribution of benefits among food stamp households.

The revised section also provides for an additional deduction of \$25 for any household containing at least one individual age 60 or over in recognition of the needs of the elderly whose limited earning capacity prevents them from meeting special expenses incurred at this age.

Consultation with the Secretary of DHEW on national standards of eligibility is no longer required since categorical eligibility of SSI recipients is removed.

This revision of subsection 5(b) also eliminates the present statutory mechanical disaster provision. Under this provision State agencies are required to provide emergency assistance to households who are unable to purchase coupons because their authorization-to-purchase cards have not been produced on a timely basis due to a mechanical failure of the equipment used to produce such cards. As an alternative, the credits for lost benefits provision proposed in subsection 10(e)(9) can be used to recompense food stamp recipients who have lost benefits because of a mechanical disaster.

The revision of subsection 5(b) conforms the subsection to the decision of the Supreme Court in the case of Murry v. USDA, 413 U.S. 508, which

concluded that the 1971 "tax dependency" provision of the Act was overly broad and therefore unconstitutional, and unenforceable.

The revision of subsection 5(c) will reduce the age requirement for work registration from 65 to 60. Use of age 60 is consistent with the definition of elderly in other portions of the Act. It will alleviate a common problem of States by not requiring registration of retired or elderly persons whose opportunities for employment are limited.

The categories of people required to register for work would be more clearly defined by specifying that the term "dependent children" means children under the age of six. A provision has been added to the subsection which will make ineligible any household which includes an able-bodied person who would be eligible for unemployment compensation or assistance but for disqualification under applicable statutes as a result of voluntarily leaving any job. This will not apply if the household involved was certified to participate in the food stamp program immediately prior to the unemployment of such person. The subsection, as revised, also requires work registrants to establish that they are actively seeking employment.

The exemption provided by Public Law 93-86 for addicts and alcoholics is also deleted by the revised language consistent with amendments to Section 3 of the Act deleting the special eligibility of addicts and alcoholics participating in approved treatment programs.

Subsection 5(d) which provides for uniform national standards of eligibility for addicts and alcoholics participating in treatment and rehabilitation programs is deleted consistent with the revision of Section 3(e) of the Act.

A new subsection 5(d) provides that illegally and temporarily present aliens may not participate in the program. The current Act does not contain such a provision; however, this requirement is consistent with the public assistance requirements of the Department of Health, Education and Welfare, and the supplemental security income statutory provision. In addition, this provision requires the State agency to disclose information regarding illegally present aliens to the Department of Justice.

A new subsection 5(e) delineates recipient's responsibilities under the program. This provision specifically requires recipients to provide information needed for the certification process and any subsequent audit or quality control review. If an applicant household refuses to cooperate in providing information necessary for making a determination of eligibility or ineligibility or to complete a quality control review, the household may be subject to denial of further and/or future food stamp benefits.

Subsection 5(e) also provides for a monthly client reporting system. Clients would be required to provide the food stamp office with an updating of circumstances affecting their eligibility. Such a reporting system will give more accurate data on a household's circumstances.

A new subsection 5(f) provides permanent statutory authority to establish tax dependency criteria for food stamp eligibility of students. The language is consistent with that contained in the Agriculture-Environmental and Consumer Protection Appropriation Act of 1975 (Public Law 93-563, 88 Stat. 1841). This language requires that the determination of tax dependency be made in the year the family support is being received, not the year in which the tax return is actually filed.

A new subsection 5(g) prohibits a minor from being considered a member of a household if no other member of the household is under a legal duty to support the minor, the minor can establish that the person responsible for his support is financially unable to provide such support, the person responsible for his support cannot be located, or there is no person with such responsibility.

A new subsection (h) makes ineligible any household which purposely transfers ownership of a resource in order to meet the program's assets test. The Secretary can set by regulation the period of such ineligibility provided it lasts at least thirty days.

Finally, a new subsection (i) is added to continue the ineligibility of any recipient of Supplemental Security Income payments in a State which has specifically increased its supplementary payments to include the bonus value of food stamps.

SECTION 5

This section of the bill amends subsections (a) and (c) of Section 6 of the Food Stamp Act of 1964, as amended.

Subsection 6(a) is revised to include authority for the Secretary to require a State agency to issue photo-identification cards to all households certified for the food stamp program.

Subsection 6(c) is revised to authorize the Secretary to require a State agency to issue food coupons which are designed in order to require recipients to sign coupons both at the time of issuance and when using the coupons at retail food stores.

SECTION 6

This section of the bill revises subsections (a) and (b) of Section 7 of the Act.

Revised Section 7(a) provides that the total value of the coupons to be issued to a participating household shall be calculated on the basis of a family of 4 persons described in Sec. 3(n). This revised language is intended to allow the Department to utilize an averaging system to establish a standard coupon allotment for each household size. This average allotment will be adjusted to reflect economies of scale for different size households. Atypical households would receive allotments which vary from their specific needs.

The revised language of subsection (b) establishes the amount that a household shall be charged for its coupon allotment as 30 percent of income after the standard deduction from gross income. The revised language also assures that each participating household would receive a food stamp benefit, or what is commonly referred to as the "bonus", of at least \$10.

This revision also eliminates the present statutory provision that households with incomes of less than \$30 per month shall not be charged for their coupon allotment because the proposed standard deduction will be higher than \$30 per month for all households.

The variable purchase provision is deleted since the same intent is now met through clause (6) of Section 10(e) of the Act, which requires States to offer households the option of purchasing stamps twice a month.

SECTION 7

This section of the bill revises Section 10 of the Act.

The present subsections (b), (e)(5), and (e)(7) are revised; new subsections (e)(9) and (e)(10) are added; subsections (f) and (g) are revised; and subsection (i) is deleted.

Subsection 10(b) presently provides that the State agency shall be responsible for the certification of applicant households and for the issuance of coupons. It further permits a State agency to delegate its responsibility in the issuance of coupons. However, the State agency is held financially liable for any cash or coupon losses or shortages. The revised language is intended to emphasize that while the issuance function may be delegated, the State agency shall retain responsibility for accounting to the Secretary for issuance activities.

Clause (5) of Section 10(e) presently requires State agencies to take effective action to "inform" low-income households and to "insure" the participation of those that are eligible. The revised clause (5) would clarify the program outreach responsibilities but delete the requirement to "insure" participation because of the unintended burden it has placed on the State agencies in effectively administering the provision.

Subsection 10(e)(7) is revised to give a State agency an option to establish a system under which a food stamp household may elect to have its charge for the coupon allotment withheld from its public assistance check. The Act now mandates a State agency to offer such a system. An optional approach would

permit a State to operate the system in an area where it would be helpful, such as rural localities lacking adequate transportation.

A new clause (9) is added to Section 10(e) to facilitate compliance with the U. S. District Court ruling Bermudez v. USDA, 348 F. Supp. 1279, (D.D.C., 1972), that USDA must provide retroactive benefits to households who have had their food stamp allotment wrongfully delayed, denied, or terminated as a result of administrative errors by State agencies. Presently, such benefits are restored by reducing the household's subsequent purchase requirements until full compensation has been made. This method was prescribed by the courts. This revision provides legislative authority for direct cash payments to households for the amount of bonus coupons lost.

A new clause (10) is added to Section 10(e) which establishes a system for verifying the earnings of applicants and participants with proper protections for the privacy of individuals.

Subsection 10(f) provides the Department another remedy to cope with a State's noncompliance with provisions of the Food Stamp Act and Regulations. This remedy will allow the Department of Agriculture, through the Department of Justice, to bring an injunctive action in a U. S. District Court to require compliance by the State.

Subsection 10(g) presently imposes upon State agencies liability to the Federal Government for the value of bonus coupons issued through "gross negligence" in the certifying of applicant households. The revised subsection would reduce this standard to "negligence." Proof of negligence would constitute a basis for asserting a claim and would permit a fair application of this provision.

Subsection 10(i) is deleted consistent with the revision of Section 3(e).
That subsection permitted the use of coupons to purchase meals prepared by
addict or alcoholic treatment and rehabilitation centers.

SECTION 8

The present language in Section 12 is not clear as to whether procedures for recipient claims arising from food stamp overissuances are at the discretion of the Secretary or must be governed by the rules and procedures of the General Accounting Office. The proposed language specifies such procedures will be up to the Secretary.

SECTION 9

This section of the bill amends Section 14 of the Act.

Subsections 14(b) and 14(c) are amended to reduce the maximum penalty for misdemeanors from the current \$5,000 to \$1,000. A reduction of the penalties would permit misdemeanors to be prosecuted before magistrates under the Federal Magistrates Act. Minor recipient and retailer-type violations would be subject to faster and more frequent prosecution and thus would be more effectively deterred.

SECTION 10

Section 15(b) of the Food Stamp Act, as amended, is amended to clarify that the Secretary will pay the Federal share of State agency certification costs for nonpublic assistance households only and a new Section 15(c) is added to provide authority for the Secretary to pay to State agencies 75 percent of the direct costs incurred in prosecutions and related activities as they concern nonpublic assistance households.

SECTION 11

This proposed new Section 18 provides authority for the Secretary to impose civil money penalties in areas of specific program violations. Under this authority, the Secretary will be able to take action against program violators, such as ineligible recipients and unauthorized retailers. In addition, the Secretary will be empowered to assess penalties against State agencies whose actions violate the Food Stamp Act or Regulations. This type of authority can be extremely useful in enforcing compliance with program requirements for recipient service and prompt action by the State agency.

THE WHITE HOUSE
WASHINGTON

DECISION

October 3, 1975

MEMORANDUM FOR: THE PRESIDENT
FROM: JIM CANNON *JAC*
SUBJECT: Food Stamps Decision

We have made an initial review of the McGovern-Dole food stamp proposal. While their income eligibility cut off level, \$7900, is close to the \$7680 level which is the cut off level of Option I in the decision memorandum before you, our preliminary analysis shows that:

- McGovern-Dole proposal increases total costs by \$900 million over present costs.
- Option I reduces costs approximately \$600 million from present levels.
- All of the other options before you also reduce costs and caseloads.

I, therefore, continue to recommend Option I as the best course of action.

The Administration's position is to be articulated in USDA testimony before the Senate Agriculture Committee. If you so desire we can also prepare a Presidential statement to be issued in addition to the USDA testimony.

_____ USDA Testimony will be sufficient

_____ Also issue a Presidential statement

_____ Other

THE WHITE HOUSE

DECISION

WASHINGTON

September 29, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: JIM CANNON *Juc*

SUBJECT: Food Stamps--Summary

With the guidelines on food stamps which you set at our meeting on August 28, the Domestic Council review group (OMB, CEA, HEW, Labor, USDA, and Treasury) identified and developed five program options and three administrative options to reform the present Food Stamp program.

These options have been reviewed by your senior staff. In brief:

- Most prefer Option I, a major contraction of the Food Stamp Program. This approach is supported by Secretaries Butz and Simon, Paul O'Neill, Max Friedersdorf, and myself.
- Secretary Mathews also finds Option I attractive, but prefers Option V, in part because eliminating the purchase requirement would simplify administration.
- Bill Seidman supports Option III.
- CEA recommends a modified option (CEA Option Tab).

We need your decision on one of the five program options and on one of the three administrative options. Then we can determine the best course of action in our continuing efforts to work with Bob Michel and Senator Buckley.

All of the enclosed plans offer a base for cooperation with the Buckley-Michel Bill. In general, our approaches seek to simplify as well as tighten the program. The Buckley-Michel Bill sacrifices simplification for greater tightening. Nevertheless, each plan can incorporate many features of the Buckley-Michel Bill (Buckley-Michel Tab).

A central objective in our work with the Hill will be to undertake now a step on food stamp reform that will lead, ultimately, to overall reform of social assistance programs.

THE WHITE HOUSE

WASHINGTON

September 29, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: JAMES CANNON

SUBJECT: Food Stamps

This is to present for your decision a set of proposals for specific reform of the Food Stamp program which were developed by a Domestic Council review group (OMB, CEA, Labor, USDA, Treasury, Domestic Council).

I. Background

At our August 28 meeting, you made the following decisions:

- Continue to use stamps.
- Simplify and tighten eligibility.
- Concentrate benefits at lower income levels.
- Simplify administration.
- Eliminate automatic eligibility for participants in public assistance programs and judge only on basis of actual resources.
- Identify means of creating incentives for better administration by the states.

In addition, since our last meeting, Jim Lynn, Paul O'Neill and I have twice met with Bob Michel and Senator Buckley. We will do so again once we have your decisions.

The Senate has requested that the Administration be prepared to testify on its position on October 7.

II. Incorporating These Decisions into Options

All of the options presented in this decision paper incorporate the above points in the following manner.

A. Major Elements Which Affect Eligibility

1. Effective Gross Income Cut-off at or near \$7500

All but one of the plans below are designed to combine a number of eligibility determination factors in a way that effectively cuts off eligibility for a family of four when their gross income reaches approximately \$7500 a year.

2. Uniform Purchase Requirement

Most of the plans rely on a uniform purchase requirement of 30% to control costs and to provide for equal treatment among participants. This 30% requirement, if considered by itself, would be no different from your recommendation made earlier this year which was rejected by Congress. In these new proposals, however, the uniform purchase requirement is coupled with a standard deduction--which would have a more balanced, equitable, and, we believe, acceptable impact on participants.

-- Should you not desire to again recommend a 30% purchase requirement, Plan II has a 25% requirement and Plan III retains the current system which ranges from below 20% to above 30%.

3. Standard Deduction

All of the plans replace most of the current accretion of deductible items with a standard deduction. Payroll taxes would still be separately deducted. The review group felt that a standard deduction was a simple and effective manner to exclude higher income families which have used the current variable deductions to become eligible. The standard deduction also benefits low income families

whose deductions ordinarily totalled less than the standard.

4. Retrospective Accounting System

The current program examines income for purposes of eligibility and benefit computation by estimating a family's income for the upcoming month. This "estimating" approach is often inaccurate, leads to over-payments which are infrequently recaptured, and is administratively complex. To correct these problems, all five plans would introduce a retrospective accounting system which examines actual income from previous months.

- Since the purchase requirement places a great importance on cash-on-hand in order to receive benefits, the review group recommends using the income from the previous month in computing benefits in Plans I, II, and III, which retain the purchase requirement.
- In Plans IV and V, which eliminate the purchase requirement and simply pay the bonus value in stamps, we recommend determining benefits each month by examining income over the previous three months. This would eliminate from eligibility those families with short-run fluctuations in income but otherwise adequate incomes over the quarter.
- However, eliminating the purchase requirement and paying the bonus value in stamps is, in effect, like paying cash to recipients.
- Lengthening the period over which income is measured sharply reduces costs. The Council of Economic Advisers believes that this is the most equitable way to reduce costs since it is the higher income people with fluctuating income who would lose benefits while the longer-

run poor would be unaffected. Without a longer accounting (6 or 12 months instead of 1 or 3 months) some households with high annual income will be in the program during some months of the year.

5. Categorical Eligibility

Under all of the options, recipients of aid from categorical public assistance programs would no longer automatically be eligible for the Food Stamp program.

6. Assets Test

All the plans offered incorporate a limit of \$25,000 on the equity a person may have in a home and still receive Food Stamps. This approach increases administrative complexity and could adversely affect some elderly couples living in their own homes. However, the asset limitation is an important equity concern and can by itself reduce costs approximately 2%.

7. Strikers and Students

The review group recommends substantially reducing participation of strikers and students by eliminating the education expense deduction and moving to a retrospective accounting period. Additional constraints on students could be introduced by requiring them to accept available work. Given the reduction in student participation accomplished by eliminating the education deduction and given the unlikelihood in the current economy of jobs being available for students, the review group chose not to apply the work requirement to students. This, however, could be added if you so desire and would effectively eliminate students from the program.

B. Elements Which Improve Program Administration and Reduce Error Rates

The complexity of the current Food Stamp program in determining recipient eligibility and in

calculating appropriate benefit levels has led to high administrative costs, significant program error rates, and substantial program inefficiencies. All the plans developed for your review attempt to substantially simplify program administration.

1. All plans use standard deduction and retro-active accounting system described above.
2. All plans (except Plan III) require that a uniform percentage of a participant's income be spent for food. These rates are set at 30% in all but one of the plans. In the current program the rates can range from below 20% up to 30%.
3. In-kind income from other public-financed assistance programs is not considered in calculating income for eligibility purposes since such calculations greatly complicate program administration and only moderately affect eligibility.

III. Outline of Options

Using the program elements discussed above, the review group developed a series of plans which provide for varying degrees of program contraction (both in terms of total budget and number of recipients). For all of the plans, the budget and participant impact is summarized in a chart (Chart Tab).

In addition to the extent of program contraction, the plans differ according to whether or not they retain the purchase requirement.

Plans retaining a purchase requirement tend to limit participation among those eligible and do not decrease the number of stamps in circulation.

Plans eliminating a purchase requirement would remove this obstacle to participation among those eligible and would decrease the percentage of additional income that went to increased food consumption. These plans would also simplify administration in part by eliminating the handling of cash and decreasing the amount of stamps in circulation. They would also permit or make easier a move to a longer accountable period for income.

The Council of Economic Advisers has suggested an additional option and a more detailed basis for your examining the issues. These have been included in the CEA Tab.

Option I -- Major Program Contraction

Elements

- Maintains purchase requirement.
- Replaces current deductions with a standard deduction of \$100.
- Implements a uniform benefit rate of 30%, requiring each eligible recipients to pay 30% of his income for his Food Stamp allotment.
- Measures income eligibility by examining applicant's income over the last 30 days.

Impact on Present Program

Total Costs	1.1.	-12% -1.1 Billion
Total Participants		-11% -17%
Number of Present Recipients Made Better Off		24%
Number of Present Recipients Made Worse Off		42%
Effective Income Cut-off (Family of Four)		47680 5050

Supported by:

Secretaries Butz and Simon, Paul O'Neill,
Max Friedersdorf, and Jim Cannon.

_____ Approve
_____ Disapprove



OPTION II

Option II -- Moderate Program Contraction

Elements

- Maintains purchase requirement.
- Replaces current deductions with a standard deduction of \$100.
- Requires eligible recipients to pay 25% of their income for Food Stamp allotment.
- Measures income eligibility by examining applicant's income over the last 30 days.

Impact on Present Program

Total Costs	- 6%
Total Participants	- 2%
Number of Present Recipients Made Better Off	35%
Number of Present Recipients Made Worse Off	30%
Effective Income Cut-off (Family of Four)	\$8976

_____ Approve
_____ Disapprove

OPTION III

Option III -- Maintain Current Program Size

Elements

- Maintains purchase requirement.
- Replaces current deductions with a standard deduction of \$100.
- Requires eligible recipients to make payments under same schedule that is in effect today which varies from below 20% up to 30%.
- Measures income over the last 30 days for purposes of eligibility.

Impact on Present Program

Total Costs	- 4%
Total Participants	- 6%
Number of Present Recipients Made Better Off	40%
Number of Present Recipients Made Worse Off	30%
Effective Income Cut-off (Family of Four)	\$7680

Supported by:

Bill Seidman.

_____ Approve

_____ Disapprove

OPTION IV

Option IV -- Significant Program Contraction

Elements

- Eliminates purchase requirement.
- Replaces current deductions with a standard deduction of \$85 per month.
- Issues stamps in values resulting in 30% of a recipient's income going for food.
- For purposes of eligibility measures income over past three months.

Impact on Present Program

Total Costs	- 13%
Total Participants	- 5%
Number of Present Recipients Made Better Off	10%
Number of Present Recipients Made Worse Off	65%
Effective Income Cut-off (Family of Four)	\$7495

_____ Approve

_____ Disapprove

OPTION V

Option V -- Modest Program Contraction

Elements

- Eliminates purchase requirement.
- Replaces current deductions with a standard deduction of \$100 per month.
- Issues stamps in values resulting in 30% of recipient's income going for food.
- Measures income over the last three months for purposes of eligibility.

Impact on Present Program

Total Costs	- 4%
Total Participants	- 1%
Number of Present Recipients Made Better Off	20%
Number of Present Recipients Made Worse Off	50%
Effective Income Cut-off (Family of Four)	\$7680

Supported by:

Secretary Mathews.

_____ Approve

_____ Disapprove

OPTION SUMMARY

O P T I O N	DESCRIPTION OF OPTION				Income Eligi- bility Ceiling (After Taxes)	% IMPACT ON				% OF EXISTING RECIPIENTS	
	Retain Purchase Require- ment	Standard Deduction	Benefit Reduction Rate	Length of Accounting Period		Costs (Base: \$5 bill.)	# of Recipients (Base: 19 mill.)	# of Eligibles (Base: 55,831,000)	New Parti- cipants	Made Better off	Made Worse off (Total)
I	Yes	\$100	30%	One Month	\$7680	-12%	-11%	-12%	2%	24%	42%
II	Yes	\$100	25%	One Month	\$8976	-6%	-2%	+5%	8%	35%	30%
III	Yes	\$100	20%- 30%	One Month	\$7680	-4%	-6%	-8%	4%	40%	30%
IV	No	\$85	30%	Three Months	\$7495	-13%	-5%	-27%	18%	10%	65%
V	No	\$100	30%	Three Months	\$7680	-4%	-1%	-22%	19%	20%	50%

CEA OPTION

COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

ALAN GREENSPAN, CHAIRMAN
PAUL W. MACAVOY
BURTON G. MALKIEL

September 19, 1975

Dear Jim:

This is to follow up on your conversation with Alan Greenspan on the memorandum to the President on food stamp reform. We urge the following changes:

1) That the following paragraph be inserted to replace the second paragraph on page 3 starting "Alan Greenspan---":

"One of the plans suggests retaining the purchase requirement and adopting a retrospective accounting period. Lengthening the period over which income is measured sharply reduces costs (see table). Many believe that this is the most equitable way to reduce costs since it is the higher income people with fluctuating income who would lose benefits while the long-term poor would be unaffected. Without a longer accounting period some households with high annual income will be in the program during some months in the year."

2) That an additional option be included in the memorandum. The new option retains the purchase requirement at its present rates, has a 3-month retrospective accounting period and a standard deduction of \$85.00. The smaller standard deduction is to offset the more expensive current system which has lower purchase requirements for the poor and for small households (mainly the elderly). In this way the program saves costs, eliminates high income households and effectively targets expenditures on the poor. It will, however, be for USDA to price out the option. We attach a statement of this option.

3) That the attached table be included which gives the cost of making each program change separately. In this way the President can determine the contribution to cost saving or cost increases when the program elements are varied.



I am enclosing a more detailed memorandum with additional suggestions as well as a marked up copy of the original memorandum.

Sincerely yours,

A handwritten signature in cursive script that reads "Paul W. MacAvoy". The signature is written in dark ink and is positioned directly below the typed name.

Paul W. MacAvoy

Mr. Jim Cannon
The White House

Table 1

Changes in Costs and Recipients when Program Elements are Varied
 (In each case the present program* is retained except for the one element to be varied.)

	<u>Percent Change in</u>			<u>Income group most affected</u>
	<u>Number of households eligible at some time during year</u>	<u>Annual cost</u>		
<u>Standard deduction</u>				
\$150	+1.4	+15.6	}	Unclear
100	-1.2	+ 2.6		
75	-13.6	-13.6		
<u>Accounting period for measuring income</u>				
Past month	0	- 5.4	}	Higher permanent income hurt -- poor unaffected
Average of past 3 months	-10.4	-22.1		
Average of past 6 months	-15.3	-24.6		
<u>Purchase requirement</u>				
No purchase requirement	?	+15		?
Constant 30 percent of income	?	-16		Poor households (just above the zero purchase requirement) & small households are hurt

*All cases also assume elimination of automatic eligibility for AFDC families regardless of their income.



Additional Option

Under:

A: Plans Which Maintain Purchase Requirement.

Plan

Elements

--Replace current deductions with a standard deduction of \$85.

--Retain the current benefit structure with a benefit reduction rate that may vary over income groups.

--Change from the current prospective one-month accounting period to a retrospective accounting period of three months.

Impact on Present Program

Total Costs

Total Participants

Number of Present Recipients
Made Better Off

Number of Present Recipients
Made Worse Off

Effective Income Cut Off
(Family of Four)

COMMENTS

Staff Comments

Secretary Butz:

Supports Plan I but argues that retrospective accounting should be tested on a pilot basis. Strongly opposed to any plan which would eliminate purchase requirement. Potential for increased costs due to this elimination could be far greater than that which is indicated in the estimates Agriculture originally supplied for the attached chart.

Secretary Simon:

Supports Plan I and the imposition of a requirement that states pick up a portion of the bonus costs if their administration is ineffective.

Secretary Mathews:

Supports Plan V-- "This would be a solid package combining significant positive reforms with a reduction in costs and a retargeting of benefits to those most in need." Plan IV may have merit as an initial position to establish bargaining room although it may unnecessarily portray the Administration as insensitive to the needs of the low income population.

Secretary Dunlop:

"It is my belief that as a significant step in the direction of restructuring various elements in the welfare system, the form of aid should be modified through removal of the purchase requirement. . . . I support use of a standard deduction combined with a uniform purchase requirement."

Bill Seidman:

"I support Plan III. I also prefer reliance on simplification to reduce poor administration."

Paul O'Neill:

Recommends Option I or a Greenspan-type option in order to establish a strong bargaining position. Final dimension of the Administration's option should be worked out with Bob Michel.

Council of Economic
Advisers:

Recommend another option.
(Option CEA).

Jim Cannon:

"I recommend Option I, and I would
rely on simplification to improve
administration. Option IV or V
would be better administratively;
but Bob Michel and others in Congress
are opposed to eliminating the
purchase requirement because they
see it as a 'cash-out.' Therefore,
I believe Option I is the best base
for working with the Buckley-Michel
Bill."



THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE
WASHINGTON, D. C. 20201

SEP 25 1975

MEMORANDUM FOR HONORABLE JAMES M. CANNON

SUBJECT: Presidential Decision Memorandum on Food Stamps

I have reviewed the most recent draft of the Presidential decision memorandum on Food Stamps. Bill Morrill already has transmitted some detailed Departmental comments to you.

As a potential administrator of the program, I strongly believe that the President should take this opportunity to propose a reform package that substantially simplifies its administration. Such a reform would not only reduce direct administrative costs but could, if done correctly, significantly decrease the opportunities for both error and fraud which have been a major factor in public displeasure with the program.

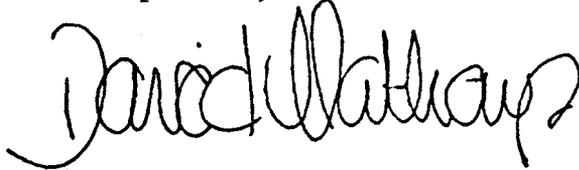
The purchase requirement decision is particularly important in this respect. Not only would eliminating this requirement decrease the number of stamps in circulation and eliminate the need to handle cash, it also makes it easier to move to a retrospective accounting system. This highly desirable change would have a salutary impact on error rates. Monthly reporting alone (as in Michel-Buckley) would increase administrative burdens but would not eliminate the considerable number of overpayments that cost the program so much now. Elimination of the purchase requirement would also permit the use of a longer accountable period which both saves money and reduces eligibility by targeting funds on those in greater need.

I feel the final version of this memo should highlight the purchase requirement decision and give full attention to administrative simplicity and cost as additional factors to consider. Lack of

Page 2 - Honorable James M. Cannon

simplicity and high administrative costs have, of course, been a political liability.

If I had to vote now I would be in some quandary. Option I obviously is attractive, but I am not sure that adding the two elements I mentioned will not result in Option V, which is where we were earlier.

A handwritten signature in black ink, appearing to read "David Watkins". The signature is written in a cursive, somewhat stylized script.

Secretary

ADMINISTRATIVE OPTIONS

Administrative Options

At present, each state pays 50% of the administrative costs of the program in that state.

You asked that we present proposals to provide states with an incentive to improve administration and reduce errors.

The review group suggested three options:

- A. Vary the state matching rate from 40% to 60%, depending upon quality of program administration and error rate.

--This option would result in little or no budgetary impact in the Federal level, and it would be cumbersome to administer.

- B. Require a state to pick up part or all of food stamp costs if its administration is ineffective and if it has a high error rate.

--This approach could significantly improve state administration, thus reducing errors and cutting costs.

--Secretary Simon feels there should be a penalty for states with poor administration and high error rates.

--However, states would strongly resist any effort to increase their food stamp administrative costs.

--Secretary Dunlop urges that we not make changes in state incentives or penalties until we have some experience with program reform.

--The Council of Economic Advisers recommends permitting states to retain some proportion of the funds reclaimed from fraudulent participants. Others believed that this would not provide enough of an incentive to move states to administer the program more effectively.

- C. Improve state administration by simplifying the administrative characteristics of the program with such features as a standard deduction and retrospective accounting period.

In general, the review group and your staff would prefer this approach.

* * *

Option A. Vary the state matching from 40% to 60%.

Option B. Require a state to pick up part or all of food stamp costs for poor administration and a high error rate.

Option C. Rely on simplification to improve administration.

BUCKLEY-MICHEL

THE WHITE HOUSE

WASHINGTON

September 24, 1975

MEMORANDUM FOR JIM CANNON

FROM: ART QUERN

SUBJECT: Food Stamp Reform - Altering the
Buckley-Michel Approach

Attached is a detailed summary of the major provisions of the Buckley-Michel bill, with occasional brief comments on specific provisions needed.

Items from the attached list which are either identical to provisions in the Review Group options, or which could be easily added as is to our final proposals, include:

6. Prohibiting Transfer of Property
7. Eliminating Categorical Eligibility
9. An Additional \$25 Deduction for the Aged
10. Using Age of Majority as Qualification Standard
11. Expanding the Work Test
15. Tighten Up Separate Household Criteria
16. 100% Federal Assumption of Cost for Aliens
18. Allow Withholding Public Assistance and Allow Demonstrations
19. Improve Outreach and Nutrition Education
20. Improved Accountability Procedures Before Issuance
21. Photo ID Cards, Countersigned Warrants and Increased Federal funding for Investigation

Items from the attached list which are somewhat similar in intent to the approach of the Review Group options, but which are less effectively structured and usually more expensive and difficult to administer, are:

1. Base Eligibility Upon Gross Income
3. Base Purchase Requirements on CES or 30%, whichever is less (assuming that the President selects 30% rather than 25%)
14. Preclude Strikers

Items from the attached list which are significantly different from the concepts and approach taken by the Review Group and most of which were considered either politically difficult to enact, administratively infeasible, or grossly inequitable, are:

2. Eligibility Cutoff at Poverty Line
-- severely low cutoff point which eliminates over half of the current recipients and causes a major work disincentive at this cutoff point.
4. Adjust Purchase Requirements to CPI
-- conflicts with concept of standard 30% benefit reduction rate.
5. Evaluate Property at Market Value
-- administratively very difficult, affects aged recipients disproportionately, and conceptually unsound since it does not reflect purchasing power - Review Group options maintain current assets test.
8. Substitute Low Cost Diet Plan
-- raises program costs 29% and conflicts with principle that Federal role should be to provide resources for minimum cost, nutritionally adequate diet - Review Group options use Economy Food Plan or the new Thrifty Food Plan.
12. Mandate Community Work Programs
-- such programs have constituted harassment of recipients - an option would be to allow for Federally-monitored and evaluated demonstrations in this area.
13. Refer Recipients to Union Sites
-- this appears to violate several major labor statutes.
17. Count In-Kind Assistance
-- this is very difficult and very expensive to do and pits one program against another - it would be strongly resisted by States.
23. Permit Choice of Commodities or Food Stamps
-- commodities programs are hard to administer and have been phased out in favor of Food Stamps - this would represent a major step backward.

22. Monthly Prospective Accountable Period

-- prospective accountable period, as used by the current program, is cumbersome, inaccurate, and difficult to administer - Review Group options recommend retrospective accountable periods.

24. State Participation in Bonus Value at AFDC Level

-- this would be strongly resisted by States, it would not improve program administration, and it would undercut some basic strengths of the Food Stamp program which depend upon Federal administration, i. e. the Federally-set basic benefit level and indexing.

The discussion in this memorandum applies both to Review Group options which maintain the purchase requirement, and those that remove it.

BUCKLEY-MICHEL BILL
SUMMARY AND COMMENTS

Below is a summary of the major provisions of the Buckley-Michel "Food Stamp Reform Act of 1975". Following certain provisions of the bill is a brief discussion of their implications and impact, from the perspective of the current decisions now being made on the five options developed by the Food Stamp Review Group.

A. Eligibility

1. Base eligibility upon gross, rather than net (of deductions) income.

Comment: This eliminates deductions. All Review Group options standardize deductions which is practically identical to eliminating them (standardizing them at zero). Our standard deductions focus more aid on the very poor and result in a higher benefit cut off point (about \$7500 for a family of four, rather than \$5050 in Buckley-Michel).

2. Eligibility cut off at the poverty line. Categorical eligibility eliminated.

Comment: This creates a very significant work disincentive. A family of four crossing the poverty line (\$5050) would lose between \$1000 and \$1300 in benefits. McGovern suggests setting cut off at the Census low income level, about \$9500. Review Group options base cut off points upon maintaining the current program basic benefit levels (based upon the cost of a nutritionally adequate diet) and assume a constant benefit reduction rate. These provisions produce a cut off point around \$7500.

3. Base purchase requirements upon the percentage of income expended for food by average household of same size and income range, with regional variations, as established by the most recent Consumer Expenditure Survey of Bureau of Labor Statistics, or 30%, whichever is less.

Comment: These provisions are estimated to have almost no effect. 30% will almost always be less, and therefore this provision will be the same as the flat 30% rate suggested in our options. There will be almost no regional variation as it is measured by this bill. These provisions will, however, be considerably more expensive to administer than our proposals.

9. Reduce food stamp costs for aged by allowing a \$25 deduction.

Comments: This provision was included in the Buckley-Michel bill to partially balance out the increase in the purchase requirement from around 18% to 30% for many aged couples.

C. Work test and miscellaneous issues

10. Establish age of majority in state as minimum age to qualify as household.
11. Expand work test to mothers with children between 7 and 18, drug addicts and alcoholics in rehabilitation programs, and college students.

Comment: The expanded work test for mothers is similar to the test in the AFDC program. If it is applied to this program it will probably necessitate provision of day care for the children which will significantly increase program costs.

12. Mandate participation in community work training programs, if established by states.

Comments: Such programs are usually poorly done by states and amount to harassment rather than work experience. A better policy might be to allow, through waivers, well monitored state demonstration projects in these areas, subject to Federal monitoring and approval.

13. Halt practice of not referring persons to employment where union membership is required.

Comments: The Department of Labor has indicated to us that this provision appears to violate a number of labor union statutes and would not be possible without significant revision of labor codes.

14. Preclude strikers.

Comment: Review Group options handle this more equitably through changes in the work test and the accountable period.

15. Tighten up separate household criteria.
16. 100% Federal assumption of costs for aliens.
17. Count in-kind assistance as income from other programs.

Comments: This is nearly impossible to do and is not included in any of the Review Group options. While conceptually it appears to make sense, it is very difficult and expensive to put dollar values on in-kind aid provided by other programs.

D. Administrative Changes

18. Transfer from USDA to HEW; provide demonstration project authority; allow local agencies to withhold public assistance for purchases.

Comment:, Secretary Mathews has expressed resistance of transfer of the program to HEW.

19. Improve outreach and nutrition education.

E. Accountability

20. Various procedures to assure that stamps are properly accounted for and not improperly used before issuance to recipient.

F. Enforcement Activities

21. Require photo ID cards; use countersigned warrants; provide 75% Federal funding for investigation and prosecution; interjurisdictional cross checking system.

Comments: These would decrease fraud (estimated saving \$0.5 million) and increase administrative costs substantially (estimated at \$20 million). McGovern's staff were ready to accept the ID cards and the countersigning, though they invade privacy and increase grocery store lines.

22. Monthly Prospective Accountable Period.

Comments: Review Group options all recommend a retrospective accountable period because it is easier to administer and more accurate. The prospective accountable period in the current programs is regarded by the Review Group as a major problem.

G. Local Option for Commodities

23. Permit choice of commodities or food stamps by local jurisdiction.

Comment: This alternative better focuses on the nutritional purposes of the program. Its acceptance would depend upon local or state cost sharing provisions which are not spelled out in the bill.

H. Funding

24. Set state participation in bonus value at same rate as AFDC, with system of "block grants" to states.

Comment: This could be a serious problem since for the first time it mandates a benefit level and mandates state participation (reverse revenue sharing). The fact that the program is currently 100% Federally funded and is indexed is generally considered as a major advantage of food stamps over AFDC and the direction toward which reform of AFDC would move.

OPTION I

10-16-75
10:45 AM

SUMMARY OF RECOMMENDATIONS

EXPANDED ELIGIBILITY TO THE NON-NEEDY: PERSONS WITH HIGH INCOMES

- 1 • Base eligibility upon gross, ~~with a \$100.00~~ **DEDUCTIBLE (\$125.00 FOR AGED)**
- 2 • Prohibit eligibility on the part of anyone whose ^{COMPUTED} income exceeds the official poverty indices, as established and defined by the Office of Management and Budget
- 3 • Base purchase requirements upon the percentage of income expended for food by average household of same size and income range, with regional variations, as established by the most recent Consumer Expenditure Survey of Bureau of Labor Statistics, or 30%, whichever is less. **(DO ADMINISTRATIVELY AT 30%)**
- 3 • Adjust coupon allotments semi-annually by overall change in CPI, rather than food component alone **(SEE ATTACHMENT A)**
- 4 • Adjust purchase requirements in same fashion
- 5 • Place limitations upon property
- 5 • Evaluate property on market value, not equity **Adm**
- 5 • Prohibit deliberate transfer of property
- 5 • Eliminate categorical eligibility of public assistance recipients

USE ONE OF THREE 30% RULES) OT →

DIRECT SECY TO MAKE CONSISTENT WITH SSI

THEIRSS

LEVEL OF BENEFITS TO THE GENUINELY NEEDY

- DROP** - X • Substitute Low Cost Diet Plan for Economy Diet Plan, raising coupon allotments by 29%
- DROP** - X • Reduce food stamp costs for the aged, with a \$25 monthly income deduction.

ELIGIBILITY LOOPHOLES

- 6 • Establish minimum age as age of majority in state (to qualify as separate household)
- 7 • Require able-bodied recipients with no children under six to register for work, engage in proven job search, and participate in community work training programs, if established by the States, as a condition of eligibility

DROP - X • Apply work registration and job search requirements to drug addicts and alcoholics who are involved in rehabilitation programs

8 • Prohibit eligibility when there is voluntary termination of employment without good cause

omB - Ag - Murray vs Dunlop



30 DAY RETROSPECTIVE - FOR STRIKER PROBLEM

- Handle
w/insure*
- DROP** → X
- Halt the current practice of not referring persons to employment where union membership is required
 - Preclude strikers from eligibility unless otherwise qualified
 - Eliminate eligibility of college students as voluntarily unemployed
 - Direct Secretary to establish precise criteria to preclude individuals living as one household from establishing eligibility as separate households
 - Require 100% assumption by federal government of alien costs, with referral system to INS to determine legal status

9. • Require recognition, as income, of any other publicly funded program which provides cash or in-kind assistance to food stamp family for food or housing

ADMINISTRATIVE COMPLEXITIES

- DROP** → X
- Transfer program from USDA to HEW
 - Provide demonstration project authority
10. • Redirect outreach to provide for nutritional education and assistance and for more immediate receipt of and processing of applications, to relieve logjam and delays in processing; redirect funding to these purposes

- DROP** → X
- Make public assistance withholding optional at discretion of local agency

INSUFFICIENT CASH AND COUPON ACCOUNTABILITY

- Admin
DROP
IF
DONE
ADMINISTRATIVE*
- Require immediate certification of deposits made by issuing agents to local entities
 - Require fiscal sanctions against agents for failure to meet depositing requirements in a timely fashion
 - Identify all receipts as federal funds, and prohibit any use for individual or corporate profit
 - Revise coupon shipment procedures to insure local notification of time and quantity of coupon shipments, centrally compute adjustments to agents' orders and notify local entities of change in allotment tables, notify local entities when agents' order is adjusted, and assure that deliveries are made only to authorized persons
 - Institute federal/local monthly reconciliation of records
 - Require Postal Service to serve as issuing agents upon request of state and to assume normal liability of issuing agents



CRIMINAL ACTIVITIES (FRAUD, THEFT, COUNTERFEITING, BLACK MARKETING ACTIVITIES) AND LAX RECIPIENT IDENTIFICATION

- 11. • Require photo identification card - **NO FINGERPRINTS**
- 12. • Replace food stamp coupons with countersigned food stamp warrants
- 13. • Provide 75% federal funding for the costs of investigations, prosecutions, collection of federal funds, and related activities

Require development of central clearing house of information and referral system to preclude recipients from receiving food stamps in more than one jurisdiction

Limit continuation for 30 days when recipient moves and require immediate reapplication and recertification

14. • Require development of earnings clearance system to check actual earned income against income reported by households

15. • Require monthly income reporting

DO ADMINISTRATIVELY
Adm

DROP

* priority

Think

could well be state laws

PURPOSES OF PROGRAM

- Permit choice of commodities or food stamps by local jurisdictions
- Require Secretary to file annual report with Congress reviewing data collection status, quality control, and general character of program to insure cost/beneficial use of public funds for legitimately needy

DROP

FUNDING

16. • Set State participation in bonus value at same rate as AFDC, with system of "block grants" to States to offset added State costs

O'NEALL - Under. possibly expensive
Murray - insisting that Ag put it in

* Adm

check w/ O'NEALL

NOTE: THE LEGISLATIVE LANGUAGE FOR ITEMS ~~11-15~~
ABOVE IS INCLUDED IN THE MICHEL-BUCKLEY ~~11-15~~
BILL.



ATTACHMENT "A"

On the 30% provision any one of three choices could be selected:

1. The White House staff bill makes it 30% of net income. (Most liberal.)
2. Buckley-Michel uses BLS survey or 30% of gross income, whichever is less (on regional basis).
3. 30% of gross, or current percentages against gross.

No matter which is used, certain administrative actions should be taken.

In January, the Secretary should take ^(action) administrative to decrease expenditures for FY 1976 and 1977.

This administrative action should not be exactly the same as the action last winter which triggered PL 94-4.

Instead, it should provide for more humane treatment for the aged and most needy.

This administrative move should have the following salutary results:

1. It will trigger Congressional action, as defenders of the status quo move to reverse the administrative action. This movement will provide opportunity for reform amendments. If reform amendments are excluded, the ability to sustain a veto of the effort to maintain the status quo should be present. (100 reform authors start as the nucleus.)
2. It will save large sums of money in FY 1976 and 1977.
3. It will manifest a sincere desire by the Administration that it seeks reform.



10-16-75
10:45 AM

SUMMARY OF RECOMMENDATIONS

EXPANDED ELIGIBILITY TO THE NON-NEEDY: PERSONS WITH HIGH INCOMES

- 1 • Base eligibility upon gross, ~~with a \$100.00 deductible~~ WITH A \$100.00 DEDUCTIBLE (\$125.00 FOR AGED)
- 2 • Prohibit eligibility on the part of anyone whose ^{COMPUTED} income exceeds the official poverty indices, as established and defined by the Office of Management and Budget
- 3 • Base purchase requirements upon the percentage of income expended for food by average household of same size and income range, with regional variations, as established by the most recent Consumer Expenditure Survey of Bureau of Labor Statistics, or 30%, whichever is less. (DO ADMINISTRATIVELY AT 30%)
- 3 • Adjust coupon allotments semi-annually by overall change in CPI, rather than food component alone (SEE ATTACHMENT A)
- 4 • Adjust purchase requirements in same fashion
- 5 • Place limitations upon property ✓
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THEIRS

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ELIGIBILITY LOOPHOLES

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- 8 • Prohibit eligibility when there is voluntary termination of employment without good cause



30 DAY RETROSPECTIVE - FOR STRIKER PROBLEM

DROP → X

- Halt the current practice of not referring persons to employment where union membership is required
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ADMINISTRATIVE COMPLEXITIES

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INSUFFICIENT CASH AND COUPON ACCOUNTABILITY

DROP
IF
DONE
ADMINISTRATIVE

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PURPOSES OF PROGRAM

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THE WHITE HOUSE
WASHINGTON

DATE: Oct. 16, 1975
TO: JIM CANNON
FROM: JIM CAVANAUGH
SUBJ: Food Stamp Meeting
FYI _____
Action _____

I've talked to Art
Quern. We modified
the argument on the
administrative difficulty.

THE WHITE HOUSE

WASHINGTON

October 16, 1975

MEETING ON FOOD STAMPS

Thursday, October 16, 1975

2:20 p.m.

The Cabinet Room

From: Jim Cannon 

I. PURPOSE

To review major problem with food stamp legislation.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

A. Background: The series of decisions that you have made on the food stamp issue has resulted in the development of legislation that will save over \$1 billion per year in the cost of the current food stamp program. Importantly, it is a program that we know will work.

Bob Michel and others in the House and Senate, on the other hand, have a different approach to food stamp reform. The analysis that we have done and the work that Paul O'Neill and others have conducted clearly indicates that the Michel-Buckley Bill will not achieve the savings that your draft legislation will and, perhaps more importantly, is a program that if enacted would not work and would be very difficult to administer.

Our bottom-line assessment on our current situation is that we want reform of the food stamp program, while our friends on the Hill would prefer to have the issue.

B. Participants:

Jim Cannon	Jack Marsh
Don Rumsfeld	Max Friedersdorf
Alan Greenspan	Jim Lynn
Earl Butz	Paul O'Neill
Richard Feltner,	Robert T. Hartmann
Ag. Dept. Asst.	Art Quern, Domestic
Secretary	Council Staff

C. Press Plan: To be announced.

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.

DRAFT

October 16, 1975

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What we need now is action by Congress.

THE WHITE HOUSE
WASHINGTON

Date: 10/17/75

TO:

Art Queen

FROM: Max L. Friedersdorf

For Your Information

X

Please Handle _____

Please See Me _____

Comments, Please _____

Other

This is draft

statement prepared by

Hyde Murray, et al.

DRAFT

MESSAGE TO CONGRESS--FOOD STAMPS

The time has come for meaningful food stamp reform.

First we must recognize that the Food Stamp program which has grown enormously since its inception a decade ago has brought and is bringing needed food assistance to millions of needy people. But it has, however, grown beyond its original mandate both in size and in complexity.

Thus it is now necessary to make needed changes in order to keep it from falling from the public's favor. Excessive costs, abuses, and unneeded aid should be pruned while assistance to the poor, the aged and those who for circumstances beyond their control are unable to obtain a decent diet should be expanded.

It is in that spirit, the spirit of providing dignified and humane help to those who are in need, but none to those who are not or should not be, that I am taking two basic steps today.

First, I am recommending the enactment of the "National Food Stamp Reform Act of 1975" which would:

1. Reduce costs by more than \$1.5 billion per year.
2. Limit eligibility to those whose gross income less the standard deduction is below the poverty level (\$5050 for a family of four).

DRAFT

Message to Congress - Food Stamps

Page 2

3. Increase fiscal integrity by measuring income over at least the preceding 90 days for purposes of eligibility determinations, and requiring recipients to report their financial status on a monthly basis.
4. Increase benefits only for those at the very lowest income level.
5. Eliminate legal abuses and cut the cost of administration by replacing current variable and complex deductions with a standard deduction of \$100 a month.
6. Increase the standard deduction for households with elderly members to \$125 a month.
7. Establish minimum age requirements for young people attempting to qualify as a separate household.
8. Require able-bodied recipients to seek, accept and retain gainful employment.
9. Redefine outreach requirements and funding to provide for nutritional education and assistance and for more immediate receipt and processing of applications.
10. Minimize opportunities for illegal abuse by instituting photo-identification cards, and

replacing food stamp coupons with countersigned food stamp warrants.

11. Encourage aggressive enforcement efforts at the state and local levels by requiring 75% Federal funding for the costs of investigations, prosecutions, collections of Federal funds, and related activities.
12. Eliminate categorical eligibility for recipients of public assistance.
13. Require everyone who receives food stamps to spend 30% of his or her ~~net~~ income for the stamps.
- ~~14. Curb opportunities for criminal activity, by requiring more effective identification and by making food stamps into countersigned food warrants.~~
14. Provide Federal "block-grant" funding to the states as part of a new Federal/state funding of the food stamp program, enabling them to achieve savings and realize new revenue.

Second, I am directing the Secretary of Agriculture to exercise in accordance with due process of law his existing statutory authority to improve the administration of and delivery system for food stamps, as follows:



DRAFT
Message to Congress - Food Stamps
Page 5

I also call to the attention of the Congress the particular importance of this reform proposal for another reason:

I sincerely hope that we--the Executive Branch and the Congress--can now begin to work together to make those changes which will help enable our government to hold down Federal spending in fiscal 1976 and meet the spending ceiling of \$395 billion for fiscal 1977.

I believe these proposed changes, which are based upon both extensive studies by Executive Departments responsible for administering and supervising the Food Stamp program and upon a realistic dialogue with a bi-partisan coalition of Congressional reformers, are essential to saving this program.

What we need now is action by the entire Congress.

THE WHITE HOUSE

WASHINGTON

TELEPHONE MEMORANDUM

JAMES M. CANNON

October 17

, 19 75

	TIME		NAME	ACTION
	PLACED	DISC		
OUT	3:27	AM	Secretary Dunlop called from the Situation Room Please call back ASAP	Situation Room on IO 657
INC		PM		
OUT		AM		
INC		PM	<i>How 2 or 3 pts</i>	
OUT		AM		
INC		PM	<i>Stickers - very strong personal hope deal w/ implicitly rather than explicitly.</i>	
OUT		AM		
INC		PM	<i>Exclusive w/ excluder got a Big Brawl</i>	
OUT		AM		
INC		PM	<i>Stickers neither spontaneous</i>	
OUT		AM		
INC		PM	<i>would perform (1-month)</i>	
OUT		AM		
INC		PM	<i>work test</i>	
OUT		AM		
INC		PM	<i>asset test</i>	
OUT		AM		
INC		PM	<i>all would explicitly benefit excluder stickers</i>	
OUT		AM		
INC		PM		
OUT		AM		
INC		PM		
OUT		AM		
INC		PM		
OUT		AM		



2. North - concerned that
a shop with would
create work disincertise.
would create strength in
education & o. - b
great work - great

3. work test - worker so with, it
labor should have had in it
rather than Ag. Sup covers
for working them consistently down

4. Asset test - ~~Ag~~ Ag



JAC

THE WHITE HOUSE
WASHINGTON

Saturday, October 18, 1975

MEMORANDUM FOR :

FROM : JIM CANNON

SUBJECT : Food Stamp Deadlines

12 Noon Friedersdorf will have from Hyde Murray a list of items which Murray feels are still unresolved so far as the Buckley-Michel group is concerned.

7
2 p.m. Agriculture Department to deliver to the White House draft legislation, with 1-3 points possibly still unresolved so far as the Administration is concerned.
1-

7
3 p.m. *John Davis - is Louis, or Henry -*
Agriculture Department to deliver impact statement

3:30 p.m. Meeting to resolve all remaining points:

Secretary Butz	Paul O'Neill
Secretary Dunlop	Alan Greenspan
Secretary Mathews	Jim Cannon
Donald Rumsfeld	Art Quern
Dick Cheney	John Carlson

5 p.m. Press Plan ready

6 p.m. Fact sheet ready
New draft message ready
Draft testimony ready

Friedersdorf provides final legislation to Murray.

3:30



THE WHITE HOUSE
WASHINGTON

October 18, 1975

MEMORANDUM FOR: JIM CANNON
FROM: ART QUERN *Art Q*
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.
 - A. 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. \$25 deduction for the aged.
3. Uniform 30% purchase requirement.
4. Eliminate categorical eligibility.
5. Establish minimum age as age of majority in state.

6. Eliminate 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.
9. Authorize use of ID cards and countersigning.
10. Earnings clearance (pt. 14).

To Be Done Administratively

- 11-13. Secretary to make consistent with SSI:
 - property limitations
 - assets test
 - property transfer
 - 14-19. Administrative Action re Insufficient Cash and Coupon Accountability.
 20. Central clearinghouse provision.
- B. The following points are taken care of indirectly by our legislation:
21. Monthly income reporting (pt. 15).
 22. Striker issue (pt. 8).
- C. The following points can best be taken care of by giving the Secretary authority to test:
23. Photo ID (pt. 11).
 24. Countersigning (pt. 12).
- D. The following points are unresolved:
- state block grants (need info).
 - work registration (day care).
 - voluntarily unemployed (strikers).
 - outreach.

THE WHITE HOUSE

WASHINGTON

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5 p.m. Press Plan ready

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New draft message ready
Draft testimony ready

Friedersdorf provides final legislation to Murray.

October 18, 1975

DRAFT

MESSAGE TO CONGRESS-FOOD STAMPS

*File
OMB changes
National*

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:

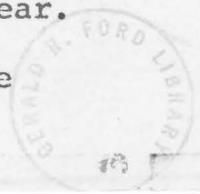
First, we--the Executive Branch and the Congress--have an obligation to work together to reform a Federal assistance program that has been widely abused. *helping many who don't need it and has gotten out of control.*

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 ^{year} 1976 and meet the spending ceiling of \$395 billion for fiscal ^{year} 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.

It is in that spirit, the spirit of providing dignified and humane help to those who are in need, but none to those who are not or should not be, that I recommend the enactment of the "National Food Stamp Reform Act of 1975", which would:

1. Reduce costs by more than \$1.2 billion per year.
2. Limit eligibility to those whose gross income



less the standard deduction is below the poverty level (\$5050 for a family of four).

3. Make the program more realistic by measuring actual income over the preceding 90 days for purposes of eligibility determinations, ^{rather than estimate future income} and requiring recipients to report their financial status on a monthly basis.
4. Increase benefits only for those at the very lowest income level.
5. Eliminate legal abuses and cut the cost of administration by replacing current variable and complex deductions with a standard deduction of \$100 a month.
6. ^{Set a higher} [Increase the] standard deduction ^{of \$125 a month} for households with elderly members. [to \$125 a month.]
- ~~7.~~ ^{Delete} [7.] Establish minimum age requirements for qualification as a separate household.]
- ~~78.~~ Require able-bodied recipients to seek, accept and retain gainful employment.
- ~~89.~~ Eliminate categorical eligibility for recipients of public assistance.
910. Require ^{all participants} [everyone] who receives food stamps to spend 30% of ^{their} [his or her] income for the stamps.



I believe these proposed changes, which are based on extensive studies by ^{the} Executive ^{branch} [Departments responsible for administering and supervising the Food Stamp program] and on consultations with a bipartisan coalition of members of the Senate and House of Representatives concerned with Food Stamp abuses, are essential to real reform.

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

What we need now is action by Congress.



October 18, 1975

Final draft

DRAFT

MESSAGE TO CONGRESS-FOOD STAMPS

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First, we--the Executive Branch and the Congress--have an obligation to work together to reform a Federal assistance program that has been widely 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.



It is in that spirit, the spirit of providing dignified and humane help to those who are in need, but none to those who are not or should not be, that I recommend the enactment of the "National Food Stamp Reform Act of 1975", which would:

1. Reduce costs by more than \$1.2 billion per year.
2. Limit eligibility to those whose gross income

less the standard deduction is below the poverty level (\$5050 for a family of four).

3. Make the program more realistic by measuring actual income over the preceding 90 days for purposes of eligibility determinations, and requiring recipients to report their financial status on a monthly basis.
4. Increase benefits only for those at the very lowest income level.
5. Eliminate legal abuses and cut the cost of administration by replacing current variable and complex deductions with a standard deduction of \$100 a month.
6. Increase the standard deduction for households with elderly members to \$125 a month.
7. Establish minimum age requirements for qualification as a separate household.
8. Require able-bodied recipients to seek, accept and retain gainful employment.
9. Eliminate categorical eligibility for recipients of public assistance.
10. Require everyone who receives food stamps to spend 30% of his or her income for the stamps.

I believe these proposed changes, which are based on extensive studies by Executive Departments responsible for administering and supervising the Food Stamp program and on consultations with a bipartisan coalition of members of the Senate and House of Representatives concerned with Food Stamp abuses, are essential to real reform.

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

What we need now is action by Congress.

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C/M

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✓
1. 90-day retrospective - language not coming out
that way. -

✓
2. Nail down 8 - relates to students
eluate eligibility of college
student as voluntarily unemployed

✓
3. 16 - more discussion with O'Neil -
would bring Allen + Satterman
along.

4. Moss trip - address in testimony -
want to try again - on 30%
purpose agreement. (Allen 29%)
starter rate coming - what

{ part 30% in legislation = starter
Allen way or testimony



STATEMENT BY RICHARD L. FELTNER
ASSISTANT SECRETARY OF AGRICULTURE
before the
SENATE COMMITTEE ON AGRICULTURE AND FORESTRY

October 20, 1975

Mr. Chairman and Members of the Committee:

We appreciate this additional opportunity to meet with you to discuss in detail our proposals to strengthen the administration and equity of the Food Stamp Program.

As I indicated when we met earlier, it is our belief that the concepts and principles embodied in our proposed changes are fully responsive to the concerns expressed by the Senate in Resolution 58. They are

1. Better target the distribution of benefits by eliminating the non-needy from participation and concentrating benefits on the most needy.
2. Treat all similar household sizes and income levels alike.
3. Simplify administrative and certification procedures for greater accuracy, economy, and quality of service.
4. Tighten program controls.
5. Increase the penalties for those who abuse the program.

First, I would like to describe our additional major proposals:

1. Standard Deduction and Definitive Income Cap

Our proposal uses the official Office of Management and Budget (OMB) definition of poverty as the benchmark for eligibility. We believe the poverty line is an appropriate benchmark because it has been developed and used to denote that segment of the population whose income is not adequate to provide a healthy standard of living. These households are, therefore, the ones which cannot procure adequate nutrition and for whom assistance

is necessary if they are to maintain healthy bodies, free from the problems of undernourishment. This income level, together with a standard deduction, will establish a maximum gross income limit that will close a loophole by which families with adequate incomes could become eligible and will target benefits on those most in need.

We propose allowing all households a standard deduction of \$100 per month, or \$1,200 per year. In addition, we propose an additional \$25 per month if the household contains a member 60 years of age or over. In effect, then, the current OMB poverty level of \$5,050 for a family of four becomes a net income eligibility level. The total amount of income a family of four could have - the cap - would be \$6,250 or \$6,550 depending on household composition. We believe it is appropriate to provide a larger standard deduction for the elderly because they can incur large, unexpected expenses - particularly for medical costs - but do not have the ability to go out and supplement their incomes to meet these expenses.

2. Elimination of Categorical Eligibility

In furtherance of our objective of equal treatment for households of like incomes, we propose that public assistance and Supplemental Security Income (SSI) households be treated the same as all other households. The only exception to this would be a maintenance of the status quo for those SSI individuals that have already been cashed out. For the most part, such households will remain eligible under the income limit we have proposed. However, there are instances in some areas where an Aid for Dependent Children (AFDC) or SSI household could be receiving total income exceeding the proposed gross income limit. Allowing categorical participation by such a household, while denying

eligibility to one with earned income at the same level, is not only patently unfair, but a serious work disincentive.

3. Uniform Purchase Requirement Rate

Again, in the interests of equity, we propose eliminating the present issuance tables which govern how much participants pay for their stamps by income ranges. Instead, all recipients would be charged a uniform 30 percent of their net income figure.

In the case of many needier eligible households, this proposal will have the effect of lowering purchase requirements. For example, with the standard \$100 deduction, a four-person household with \$200 gross monthly income will pay 30 percent of \$100, or \$30. Hence, such a household will be paying only 15 percent of gross cash income for food stamps, compared with the 26 percent they now pay if - as is frequently the case - they have no deductions.

On the subject of the purchase requirement, the Department has considered long and hard the option of eliminating the purchase requirement altogether and issuing only the bonus value of the stamps. One clearly identifiable outcome of eliminating the purchase requirement would be an increase in the number of households who would choose to participate.

The important effect of eliminating the requirement that participants purchase their food stamps is that there would no longer be any assurance that the households would spend for food an adequate amount to obtain a nutritionally adequate diet. We could, therefore, expect a resultant drop in the nutritional level of these households as other living expenses

compete for the money otherwise invested in the purchase requirement. It should be emphasized that this would be a major departure from the original objective of the program, since distribution of stamps only in the bonus amount would be a general income supplement program. The bonus stamps would be substituted for some portion of the household's resources normally committed to food, thus freeing that amount of cash for non-food purchases. I think we can agree that distribution of this kind of an income supplement makes little sense, as better diets are no longer provided for, and the distribution of supplemental income as a voucher is conceptually meaningless and administratively awkward.

4. Income Accounting Periods and Client Reporting

The fourth major change we propose would base eligibility and benefits upon actual income received for a defined period prior to application for the program, coupled with a monthly client reporting system for the on-going caseload. This would replace the current error-laden method of attempting to estimate income for future months.

We have left the proposed language very general to enable us to work with the Department of Health, Education and Welfare to attempt to get consistency between our program and the AFDC program. We are, however, considering using an average of the prior three months' income in order to assure that only the genuinely needy have access to the program.

5. Definition of Nutritionally Adequate Diet

We propose to define what constitutes a nutritionally adequate diet for the Food Stamp Program. As you know, recently a court expressed the view that the Department should reexamine its regulations with respect to the manner in which allotments are determined. The court concluded that in

order to provide all recipients with a nutritionally adequate diet, allotments should be developed on the basis of the age and sex of each member of the household as well as other individualized factors affecting nutritional needs. The court pointed out that if this were not done and allotments for all households are based upon the average needs of recipients, they must be set high enough to provide nutritionally adequate diets to virtually all participating households. We are inviting public comments on an individualized system as well as on a revised system similar to that now in effect. The comments received so far indicate overwhelming preference for uniform allotments under an averaging system. They point out that individualized coupon allotments based on the unique age and sex composition of each household impose an unreasonable administrative burden. The legislation we are offering defines a nutritionally adequate diet as the Department's recently developed Thrifty Food Plan. Based on August 1975 figures, this plan would provide benefits of \$166 to a household of 4. Adjustments would, of course, be made for family size and for economies of scale.

6. Household Definition and Income Definition

We are proposing a slight modification in the household definition which will have the effect of simplifying that determination. Further, it will help to minimize the problem of people who apply for food assistance as separate households even though they live together and purchase and prepare food in common.

In addition, we are proposing a definition of gross income. We feel very strongly that this definition in law is necessary to facilitate the Department's implementation of national eligibility standards - standards that reflect the need for food assistance. Briefly, that definition would

include all identifiable cash payments except for medical vando payments and various in-kind benefits. This seems to be a suitable compromise position between excluding large amounts of monies which are, in fact, used to meet living expenses and having to identify and attribute a value to all sorts of in-kind benefits available to households.

7. Tightening Program Controls

We are proposing several items we believe will assist State agencies in removing the non-needy from their roles and assuring that program benefits go only to eligibles. Among these are limiting the participation of minor children who are not living with those persons who are legally obligated to support them. In addition, we have tightened up our resource definition to prevent deliberate transfers of property, and we are presently exploring a means to more accurately assess the value of property and to establish limits on such value. In establishing limits, we will be looking carefully at some of the provisions currently in use in the SSI (Supplemental Security Income) program. We are also studying various approaches to further tightening of controls over cash and coupon accountability. We are authorizing the Secretary to require mandatory photo identification cards for all households and a system for the counter-signing of food coupons at the issuance office and the retail food store. Both these items appear to have real possibilities for limiting program access to only those persons who are legitimately certified. We are proposing a national system for controlling duplicate participation, and, to increase the reimbursement rate to 75 percent for those State agency costs relative to fraud investigation and prosecution activity. We believe that the latter will provide increased incentives for States in an area that is vital to program integrity.

We are also proposing to increase the reimbursement rate to 75 percent for those State agency costs relative to fraud investigation and prosecution activity. We believe that this will provide increased incentives for States in an area that is vital to program integrity.

Our study indicates that the combination of maximum net income set at the poverty level, a \$100 or \$125 standard deduction, purchase requirements equal to 30 percent of net income, and a retrospective income accounting period results in a percent reduction in the caseload and a \$ billion drop in bonus costs. In addition, these changes will significantly reduce the complexity of the certification process allowing for better service to clients and reduced error rates. Instead of spending much time gathering and verifying information from clients, doing calculations and filling out forms, caseworkers will be able to devote more of their attention to expeditious service and identification of potentially fraudulent applications.

Coupled with the proposals we have already made, I believe that we can go a long way toward tightening the eligibility determination process, simplifying administration and assuring that State agencies invest the necessary resources in the program. Briefly, our previously submitted proposals include:

1. Elimination of students who are tax dependents of non-needy families, illegal and temporary aliens, and addicts and alcoholics who reside in institutional settings;
2. Elimination of variable purchase;

3. Modifications to the outreach requirement;
4. Optional public assistance withholding;
5. Increases in penalties for abuse or maladministration.

We fully recognize that there continues to be problem areas. The Committee specifically asked us at our last meeting to examine the resource criteria. We were also asked to review our Regulations with an eye to tightening up where we could. As I mentioned, we are doing that now. However, it seems to me that many of the concerns expressed by the Congress, as well as things that have been written recently about the program, have obscured the fact that the Department does have existing Regulations and Instructions to State agencies that deal with proper, timely eligibility determinations, non-needy students, treatment of fraud cases, proper accountability for cash and coupons and most if not all of the other problem areas which keep getting a lot of public attention and criticism. Moreover, the Department has made a sizeable resource commitment to the monitoring of the grocery store side of the program.

We have provisions in our present Regulations to bar non-needy students and teachers, illegal and temporary aliens and illegal strikers from the program. We have special income and resource verification procedures for people who report little or no income, for strikers and for those whose circumstances appear inconsistent or questionable. We have Regulations which require collection of program losses that are caused by fraud. We have Regulations which require employables to be referred to the Employment Service office for job referral before they can receive food stamps. We have provisions which require clients to report changes in household circumstances. We have requirements that limit periods of certification. Although these periods range from one to twelve months (depending on household type and

In closing, the key elements to the development of viable legislation seem to me to be fourfold:

1. Design a program which by its very structure targets benefits properly;
2. Keep the administrative requirements as simple and straightforward as possible;
3. Have measures available to penalize program abuse and maladministration;
4. Stress the necessity for adequate resource investment at the State and local level.

These four items, in our estimation, will bring about the results that we all desire--a program that helps to eliminate hunger and malnutrition in this country. I'd be happy to respond to questions.