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S U M M A R Y

THE NATIONAL FOOD STAMP REFORM ACT OF 1975

A Proposal for Meaningful Reform of the Nation's Food Stamp Program

June 1975



OVERVIEW

The proposals which are embodied in the National Food Stamp Reform Act of 1975 are derived from a thorough analysis of all of the elements of the food stamp program that make it both complex and so rapidly growing. These include the eligibility, bonus value, purchase requirement, and coupon allotment criteria; the tests of income and resources which are applied; the numerous loopholes that permit abuse of the program; the manner in which cash and coupons are handled; current funding methods; and the basic purposes for which the program was enacted in the first place.

If enacted, the proposals which are contained in the National Food Stamp Reform Act will:

- Place realistic limits so that persons with high incomes will not qualify and thereby drain resources from a program that is to meet the needs of the legitimately needy
- Institute a food stamp formula that is based upon what the average American family, by size and income range, spends for food, eliminating the many complex deductions and exemptions
- Close numerous loopholes that permit the voluntarily unemployed to receive food stamps and others to manipulate the system
- Tighten work requirements, so that the food stamp program does not subsidize idleness or serve as a substitute for gainful employment
- Simplify administration, by basing eligibility on gross income, by permitting demonstration projects to test management improvements, and by linking with welfare administration
- Require recognition of multiple public benefits that go to the same family
- Direct additional funding to swifter processing of applications and to nutritional education
- Improve cash and coupon handling methods to minimize opportunities for theft, loss, and misuse of federal coupons and funds
- Enhance fraud control efforts
- Increase amounts paid to the truly needy, by
 - Substituting the Low Cost Diet Plan for the Economy Diet Plan, raising coupon allotments by 29%
 - Reducing food stamp costs for the aged, with a \$25 monthly income deduction

It is possible through the enactment of these long over due reforms to:

- (a) Substantially increase benefits which are paid to the persons who genuinely need nutritional assistance, and
- (b) realize, at the same time, significant savings for the taxpayer.

By closing loopholes, correcting defective elements of the eligibility formula, tightening work requirements, and curtailing opportunities for fraud and other criminal activities, the food stamp program can be restored to the purposes originally intended when it was first enacted. This can be done without detrimental effect upon the persons who are in legitimate need -- and, as indicated, they will in fact realize increased aid as a result of the reforms.

F O O D S T A M P P R O G R A M G R O W T H

	<u>1965</u>	<u>1975</u>	<u>% INCREASE</u>
PERSONS (MARCH)	442,359	19,142,145	4,227%
TOTAL EXPENDITURES	\$36,353,797	\$5,200,000,000	14,203%

• AVERAGE NUMBER OF AMERICANS RECEIVING FOOD STAMPS

1965 - ONE IN 439

1967 - ONE IN 157

1970 - ONE IN 47

1973 - ONE IN 17

1975 - ONE IN 13 (ESTIMATE)

• REPORT TO JOINT ECONOMIC COMMITTEE ESTIMATED THAT BY 1977, AT PRESENT GROWTH RATES, ONE IN FOUR AMERICANS COULD BE ELIGIBLE TO RECEIVE FOOD STAMPS AT LEAST ONE MONTH DURING THE YEAR.

• ONE IN FOUR ALREADY POTENTIALLY ELIGIBLE IN JULY 1974.

• 57% OF POTENTIAL ELIGIBLES IN JULY 1974 WERE ABOVE POVERTY LINE

• JANUARY 1975: ALL HOUSEHOLD SIZES EXCEPT ONE HAD MAXIMUM ELIGIBILITY LEVELS ABOVE POVERTY LINE — AND BASED ON NET INCOME, AFTER GENEROUS DEDUCTIONS

PARTICIPANTS VS. ELIGIBLES
FOOD STAMP PROGRAM*

<u>PERSONS</u>	<u>JULY 1974</u>	<u>JUNE 1975</u>
PARTICIPANTS	13.9 million	21.8 million
ELIGIBLES	52.8 million	57.3 million
% OF PARTICIPANTS TO ELIGIBLES	26.3 %	38.0 %
% OF PARTICIPANTS TO TOTAL POPULATION	one in fifteen	one in ten
% OF ELIGIBLES TO TOTAL POPULATION	one in four	one in four

* * * * *

AVERAGE MONTHLY BONUS VALUE PER HOUSEHOLD 1974-75	\$66
TOTAL BONUS VALUE COST 1974-75	\$4.6 billion
TOTAL BONUS VALUE COST IF ALL ELIGIBLE HOUSEHOLDS PARTICIPATED 1974-75	\$12.1 billion

* * * * *



* BASED UPON DATA PROVIDED BY THE UNITED STATES DEPARTMENT OF AGRICULTURE

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
- 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
- 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
- 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
- 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

- 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

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

ROBERT H. MICHEL
18TH DISTRICT, ILLINOIS

RALPH VINOYICH
ADMINISTRATIVE ASSISTANT

MINORITY WHIP
APPROPRIATIONS COMMITTEE

RANKING MEMBER
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KNOX STARK
TAZEWELL

June 17, 1975

President Gerald R. Ford
The White House
Washington, D.C. 20500

*File
Food Stamps
1975*

Dear Mr. President:

As you know, we want to make your Administration a successful one. One key area in accomplishing this is how your Administration will cope with the various food program problems facing the country. Many of us have been concerned about the Food Stamp Program growth from \$36 million in 1965 to one that would spend over \$6 billion in 1975 with the further prospect that if left unchecked it will double to \$12 billion by the end of 1976, with the potential to grow even larger in years ahead.

A number of your supporters have been working over the past five months to develop a meaningful food stamp program that is designed to maximize benefits to the truly poor while placing a fiscal discipline on the growth and expansion to other recipients.

The legislation we have developed will base eligibility on poverty indices and purchase requirements upon what the average American family spends for food. It would increase the food stamp benefits to those remaining in the program by 29 percent; would reduce food stamp costs for the aged, with an across-the-board \$25 monthly income deduction prior to computation; would close ten major loopholes in the current law; and would set State participation at the same rate as AFDC, with a system of block grants to States to offset added State costs.

Net savings total over \$2 billion, even after funding the 29 percent increase.

We are planning to introduce our proposal next week. We believe it is essential to begin negotiations with a bill that is both realistic and stringent. It is our hope that this proposal will serve as a base to work from in achieving food stamp reform, in a joint effort with you. I have attached a copy of a summary for you and your staff. If possible, I would like to discuss it with you.

Sincerely,

Bob
Robert H. Michel
Member of Congress

File

THE WHITE HOUSE
WASHINGTON

6/4/71

Jim -

Here's the
copy on
food stamps

Jim



THE WHITE HOUSE

WASHINGTON

June 3, 1975

MEMORANDUM FOR: JIM LYNN
FROM: JIM CANNON
SUBJECT: Food Stamps

In regard to our discussion about the decisions on the food stamp program, I have checked into the process whereby the recommendations were reviewed.

Throughout the period of preparation of the memorandum, your staff, my office and the Department of Agriculture participated. The evening before the decision paper went to the President, Dick Dunham met with Secretary Butz, Paul O'Neill and a representative from HEW. The final paper was drawn together following this conversation and included an option for the President which, while distinct from any of the plans previously discussed, contained no new elements.

However, OMB, Agriculture and HEW were asked to inform Dick of their position in regard to the specific plans listed by 2:30 p.m. the next day. The schedule called for submission of the paper to the President that day, May 16. Agriculture gave us their opinion. HEW responded at 6:00 p.m. which was too late and we did not hear from OMB. Therefore, we had no choice but to send the memo to the President without the "notes" of HEW and OMB.

This additional option per se had not been specifically reviewed but it addressed three basic points which were discussed at the meeting with Paul and Secretary Butz:

1. The Secretary's support for a simple \$100 standard deduction with no categorical eligibility and no special deduction for the aged.
-- he argued that the most important goal was to reduce costs and the plan which he supported did that most effectively.

2. Paul's urging that the concept of "cash out" be included.

-- the final memo suggested that the range of potential costs of a "cash out" were such that it should not be part of this action but rather should be considered in the more comprehensive effort dealing with social programs.

3. The Domestic Council's belief that since our major concern is the growing participation of those well above the poverty level, we should not do anything which focuses attention on the impact on the very poor even though "equity" would argue against continuing categorical eligibility for welfare recipients.

-- it was felt that if categorical eligibility for welfare recipients were continued for the time being with the acknowledgment that this and many of the program's other elements needed to be addressed in a more comprehensive overhaul of all income assistance programs, the "inequity" was defensible.

These elements all were discussed prior to the submission of the final decision paper. Secretary Butz has expressed a desire to meet with the President before a program is submitted to the Congress. I will ask for such a meeting with the President and this should provide another opportunity to present your views.



THE WHITE HOUSE

WASHINGTON

June 3, 1975

MEMORANDUM FOR: JIM CANNON
THRU: DICK DUNHAM *RD*
FROM: ART QUERN *AQ*
SUBJECT: Food Stamps

Attached is a memorandum for your signature to outline for Jim Lynn the process leading to the formulation of the final food stamp options.

The memo refers to Secretary Butz's desire to meet with the President to discuss the decisions and the strategy on how to present them. The memo indicates and I strongly urge that such a meeting should be scheduled. We can be ready to meet on Monday or Tuesday of next week. Prior to the meeting with the President, Dick Dunham, Paul O'Neill and I should get together with the Secretary.

Attachment



would add

\$200 - 300 million

File

THE WHITE HOUSE
WASHINGTON

June 13, 1975

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

Butte
Food stamps -

got copy of wages
decree -

District do in counties,
had other rules,
on each people

not a #1 Billion
Michigan would do
80% of economy dist.

two

- 1) nothing - 10 days for a plan
 - 2) request a hearing
 - 3) appeal to Supreme Court
- stay of order -

As you know we have been working to complete and submit to Congress a proposed reform of the Food Stamp program in accordance with your decisions. Two separate factors are now present which require me to recommend a reopening of these issues:

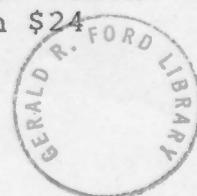
freez. into
place -

1. Additional Problems

In our deliberations with the Department of Agriculture prior to the May 22nd decision memorandum, one key aspect of their plan went unrecognized. In effect this aspect is the revival of the 30% purchase requirement. This requirement states that every eligible food stamp recipient must pay 30% of his net monthly income as the purchase price for his food stamp allotment. As you will recall this proposal was soundly rejected by Congress earlier this year.

The fact that Agriculture has included the purchase requirement as an essential part of any standard deduction eligibility approach was not specifically identified. However, implementation of the standard deduction plan will increase caseload and costs unless it is combined with a 30% purchase requirement. Inclusion of this requirement is the only means whereby a standard deduction approach could produce any savings but it has the sort of impact on individuals which led to its rejection by Congress:

- 777,000 small families (1 and 2 persons) with monthly gross incomes less than \$400, mostly elderly, would lose between \$5 and \$24 per month. An additional 67,000 would lose more than \$24 per month.



-- 643,000 large families (3-8+) with monthly incomes of \$200-800 would lose \$5-24 per month. An additional 201,000 large families would lose more than \$24 per month.

The risks, therefore, which were not identified in the May 22nd memorandum are:

- A. This entire reform effort will be viewed as simply another attempt at implementing a 30% purchase requirement.
- B. Congress will accept the standard deduction (which by itself increases costs) and reject the 30% purchase requirement (which is the cost control factor) presenting you with a plan containing only the element of your proposal which would increase costs and caseload.

2. Court Decision

Yesterday the U.S. Court of Appeals ruled that the formula upon which food stamp benefits are based is invalid. This decision could have substantial impact on costs which are now estimated to be \$6.9 billion in FY 76. The Department of Agriculture is under order to come up with an entirely new benefit system within 120 days.

We are now having the decision analyzed to determine what options are open to us.

RECOMMENDATIONS

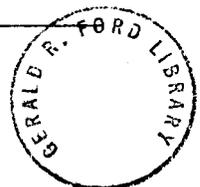
1. Proceed with Fourteen Points

Your decisions on the May 22nd memorandum included approval of 14 specific items which were supported by OMB, Agriculture and the Domestic Council as means of improving administration, curbing abuse, and tightening accountability.

We recommend that approval of these remain unchanged and that the Secretary of Agriculture submit these as recommendations in a report the Senate requested by June 30, 1975.

APPROVE _____

DISAPPROVE _____



2. Hold Recommendation on Eligibility in Abeyance

Since the plan we recommended and you approved has proven to contain serious problems, we had been developing some new options for your consideration. We now recommend that any proposal for changes in eligibility determination be held in abeyance until we determine if the court decision affects eligibility and what these effects might be.

In this regard, the Secretary in responding to the Senate would make no recommendation dealing with eligibility but would state:

- A. The most direct way of improving eligibility determinations would be to implement an equitable purchase requirement. Congress has rejected this.
- B. Many of the fundamental problems of the food stamp program reflect its function as an income support program. These elements should not be dealt with in the isolated case of the food stamp program but should be included in a comprehensive overhaul of all federal income support programs.
- C. The Court decision throws into question the present benefit system. While not directly affecting eligibility it does relate to it and therefore we are holding in abeyance any changes in eligibility at this time.

Hold in abeyance any changes in eligibility at this time.

APPROVE _____ DISAPPROVE _____

COMMENTS

We will proceed immediately with our analysis of the Court decision and the options it presents us in regard to its basic focus, the benefit system. As we proceed we will also seek a prompt determination of how it affects our options on eligibility.

THE WHITE HOUSE

ACTION

WASHINGTON

June 17, 1975

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

As you know, we have been working to complete and submit to Congress a proposed reform of the food stamp program in accordance with your decisions. Two separate factors are now present which require me to recommend a reopening of this issue:

1. Court Decision

On June 12th the U.S. Court of Appeals ruled that the formula upon which food stamp benefits are based is invalid. This decision could have substantial impact on costs which are now estimated to be \$6.9 billion in FY 76. The Department of Agriculture is under order to come up with a new benefit system within 120 days. The decision focuses on benefits but could also have an indirect effect on eligibility levels.

2. Additional Problem

In our work with the Department of Agriculture prior to sending you our May 22 decision memorandum on food stamps, one key aspect of their proposed plans went unrecognized. It was included by the Agriculture Department staff and slipped through unnoticed by Secretary Butz, OMB and me.

What we overlooked was the same 30% purchase requirement that was soundly rejected by Congress earlier this year. Consequently, our description of the plan we recommended and our understanding of its impact were inaccurate.



Consequently, there are risks which were not identified in the May 22 memorandum:

- A. The approved reform effort could be viewed as simply another attempt at implementing a 30% purchase requirement.
- B. Congress might accept the standard deduction (which by itself increases costs) and reject the 30% purchase requirement (which is the cost control factor), presenting you with a plan containing only the element of your proposal which would increase costs and caseload.

RECOMMENDATIONS

1. Proceed with Fourteen Points

Your decisions on the May 22 memorandum included approval of 14 specific items which were supported by OMB, Agriculture and the Domestic Council as means of improving administration, curbing abuse, and tightening accountability. By themselves these will not provide significant reform, but they do offer real improvements in the program.

We recommend--and Secretary Butz and OMB (O'Neill) concur--that approval of these remain unchanged and that the Secretary of Agriculture submit the 14 items as recommendations in a report the Senate requested by June 30, 1975.

APPROVE _____

DISAPPROVE _____

2. Eligibility

In light of the court decision, we now recommend that any proposal for changes in eligibility determination be held in abeyance until we can determine if the court decision affects eligibility and what these effects might be.

In this regard, the Secretary, in responding on June 30 to the Senate, would make no recommendation dealing with eligibility but would state:

- A. Many of the fundamental problems of the food stamp program reflect its function as an income support program. These elements should not be dealt with in the isolated case of the food stamp program but should be included in a comprehensive overhaul of all federal income support programs.
- B. The Court decision throws into question the present benefit system. While not directly affecting eligibility, it does relate to it, and therefore we are holding in abeyance any changes in eligibility at this time.
- C. Obviously the program is in need of a substantial overhaul, and we stand ready to work with Congress in this regard.

Hold in abeyance any changes in eligibility at this time and present position in the context of points listed above. Secretary Butz and OMB (O'Neill) concur in this recommendation.

APPROVE _____

DISAPPROVE _____



COMMENTS

We will proceed promptly with our analysis of the Court decision and the options it presents in regard to its basic focus, the benefit system. As we proceed we will also seek a prompt determination of how it affects our options on eligibility.

REPUBLICAN STUDY GROUP PROPOSAL

Attached in Tab A is a brief summary of the food stamp reform package which Bob Michel and the Republican Study Group have developed. We have just received it and have not had an opportunity to thoughtfully review it. It appears to have a number of elements which seem to have promise for controlling eligibility but the administration of these proposals might prove difficult and extremely costly. They would most certainly be controversial.

Since our position is not to include a specific eligibility plan in our submission to the Senate by June 30, I recommend:

- 1. That the Secretary in his submission to the Senate refer to the Republican Study Group proposal as one which appears, under initial review, to move toward improved concentration of benefits on low income families.

2. The Secretary should indicate specifically the Administration's intention to explore these and other Congressional suggestions as we proceed with the development of a basic structural reform of the food stamp program.
3. Through the Domestic Council we launch an intensive effort to get the thinking of other groups, including states, counties and cities, on the food stamp issue. We would begin by meeting with Congressman Michel and his staff to discuss his proposal in detail.

Preliminary discussions with Michel's staff indicate agreement with the approach we are recommending the Secretary take at this time.



Sandy V. 3160

file

THE WHITE HOUSE
WASHINGTON

June 20, 1975

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: JIM CANNON

FROM: JIM CONNOR *[Signature]*

SUBJECT: FOOD STAMPS

Your memorandum of June 17th on the above subject has been reviewed by the President and the following was noted:

- 1. Proceed with Fourteen Points

Approved.

- 2. Eligibility

Hold in abeyance any changes in eligibility at this time and present position in the context of points listed.

- Approved -

Your proposal for handling the Republican Study Group was also approved.

Please follow-up with appropriate action.

cc: Don Rumsfeld



July

THE WHITE HOUSE

WASHINGTON

June 24, 1975

MEMORANDUM FOR:

THE SECRETARY OF THE TREASURY
 THE SECRETARY OF AGRICULTURE
 THE SECRETARY OF LABOR
 THE SECRETARY OF HEALTH, EDUCATION,
 AND WELFARE
 THE DIRECTOR, OFFICE OF MANAGEMENT
 AND BUDGET
 THE CHAIRMAN, COUNCIL OF ECONOMIC ADVISERS
 THE EXECUTIVE DIRECTOR, ECONOMIC POLICY BOARD



FROM: JIM CANNON *Jim*
 SUBJECT: Review of Food Stamp Program

Attached is a copy of a memorandum I sent Jack Veneman requesting that he form a task force to review the Food Stamp program. *

On June 12, the Second District Court of Appeals ruled that major revisions in the Food Stamp program were required.

Since this decision affects the eligibility requirements for those participating in the Food Stamp program and opens up some broader questions and issues, the President has directed that he be presented with alternative approaches for modifying the Food Stamp program.

A meeting has been called for Thursday, June 26, in the Roosevelt Room at 10:00 for the purpose of launching this effort.

Your attendance, along with your key staff person who could serve on the working group described in the attached memo, would be appreciated.

Attachment

* This is part of the overall effort of the Domestic Council Review Group on social programs.

THE WHITE HOUSE

WASHINGTON

June 24, 1975



MEMORANDUM FOR: JACK VENEMAN
FROM: JIM CANNON *Jin*
SUBJECT: Establishment of a Food Stamp Task Force

In view of the significant issues being posed by the growth of the Food Stamp program and also the recent court decision addressing the program's benefit structure, I am requesting that you form a task force to review various options and possible changes in the Food Stamp program. Among the areas I would like you to review are:

1. The effect of the Rodway vs. USDA decision by the U.S. Court of Appeals, Second District.
2. Possible ways of modifying eligibility requirements under the current program.
3. Other alternative ways of providing aid such as total or partial cash-out.
4. A review of the Food Stamp program and its relationship to other income transfer programs, including the feasibility of establishing uniform eligibility standards.

The task force should consist of:

Secretary of the Treasury
Secretary of Agriculture
Secretary of Labor
Secretary of HEW
Director, OMB
Director, Domestic Council
Chairman, CEA
Executive Director, Economic Policy Board

These members should identify persons on their respective staffs to serve on a working group. The efforts of this group will be included in the overall review of domestic social programs approved by the President on May 15, 1975.

I have asked Art Quern, Associate Director of the Domestic Council, to coordinate this activity for the Domestic Council.

MEETING AGENDA

File per

DOMESTIC COUNCIL REVIEW OF THE FOOD STAMP PROGRAM

10 AM

July 2, 1975

*10 AM
Meeting*

I. OVERVIEW

- A. Recent Events
- B. Formation of Review Group

II. TIMING OF REVIEW
(See Attached Chart)

III. PRELIMINARY ANALYSES

- A. Discussion of Analysis Areas
- B. Formation of Work Groups

IV. OPTION DEVELOPMENT

- A. Discussion of Areas of Option Development
- B. Formation of Work Groups

V. NEXT STEPS

- A. Prepare Analyses
- B. Meeting July 16 to Review Analyses and Begin Option Development



FOOD STAMP REVIEW
MAKEUP OF WORK GROUPS

PHASE I: PRELIMINARY ANALYSIS

Program Goals:

USDA
DHEW
Treasury
CEA

Literature Review:

USDA
DHEW
Treasury
Labor
EPB

Current Program:

USDA
OMB
CEA

Relationship with Other Programs:

USDA
Labor
EPB
DHEW

Summary of Current Legislative Proposals:

USDA

PHASE II: OPTION DEVELOPMENT

Eligibility:

USDA
Labor
OMB
EPB
DHEW

Form of Aid:

DHEW
Treasury
EPB
OMB
Labor
CEA

Nutritional Requirements and Cost:

USDA
DHEW
OMB
CEA



OVERVIEW
DOMESTIC COUNCIL REVIEW OF THE FOOD STAMP PROGRAM
July 2, 1975

On June 25, 1975 a meeting of the Domestic Council on the Food Stamp program agreed to conduct a broad review of the program and develop options for modifying the program for a Presidential decision within 60 days.



TIMING

A proposed timetable for undertaking this review and option development process is attached. The key events of the timetable are:

- o Decision options prepared for the President by August 27.
- o Presidential decisions by September 24.
- o Proposals and political strategy prepared by October 22.

Occuring in parallel with this review will be court action by USDA in response to the Rodway vs. USDA decision. USDA will keep the review briefed on this activity.

Further, unless a stay is granted to the previous court decision, USDA will also be developing new program regulations to meet the requirements of the decision, to be published as

proposed rules before October 10. It is proposed that the Domestic Council review group be briefed on an ongoing basis by USDA on the proposed rules.

PRELIMINARY ANALYSIS

Prior to the development of options for a Presidential decision, a series of preliminary analyses will be required which will provide the necessary groundwork for orderly development and discussion of policy options. The following subjects are proposed as areas for this preliminary analysis.

Program Goals

What should be the Federal goals for this program?

Since this program was initially begun, its goals have become somewhat clouded. The program is now regarded as a Federal guarantee that all Americans will have sufficient resources to purchase a nutritionally adequate diet instead of a program to support agriculture.

The review needs to define the Federal objective of the program so that options will be focussed upon achieving the specific goal(s).



Literature Review

The review group needs a very brief summary of the significant results of research on, and evaluations of, the Food Stamp program. The following types of issues need to be addressed in such a literature review:

- o how are stamps used -- do they replace or supplement cash expenditures; are they sold for cash; do they purchase more nutritious foods; etc.
- o how do persons with similar incomes who are not on Food Stamps use cash -- do they purchase sufficient food; is it nutritious; how do they allocate their overall income among food and other necessities; etc.
- o how effective are other mechanisms for increasing the consumption of nutritious foods -- consumer education, selective lowering of nutritious food prices, etc.
- o what incentives are inherent in the Food Stamp system -- are there work disincentives, are there sufficient incentives for the eligible population to use Food Stamps, etc.

- o economic effects of the Food Stamp program -- does it inflate the price of foodstuffs; does it help maintain the income of farmers; what sectors are the primary beneficiaries of any price inflation.

For the purposes of the review group, only the results of reliable research are needed. They should be stated as one line results and the entire summary should not be more than 4 to 5 pages.

Current Program

A summary of the current program and its trends is needed to more clearly define problems that may need correction or that should be avoided in proposed new programs. The following types of issues need to be covered:

- o Federal expenditures on the current program and projections through 1980.
- o the projected fiscal impact of the Rodway vs. USDA decision.
- o a statistical breakdown by income, family structure, age, and sex of the current recipient population.

- o a statistical breakdown by income, family structure, age, and sex of the current eligible population who does not participate in the program.
- o a detailed breakdown of current administrative costs, such as costs of engraving and printing stamps, costs of distributing stamps, costs of enforcement of laws and regulations related to use of stamps, etc.

Relationships with Other Programs

A summary is needed of the relationships between the Food Stamp program and other means-tested or income supplement programs. Such programs might include:

- o AFDC
- o Title XX
- o WIN
- o Unemployment Insurance

The factors for comparison with these programs might include:

- o eligibility criteria
- o work requirements and incentives
- o benefit levels

A Summary of Current Legislative Proposals

OPTION DEVELOPMENT

Following the preliminary analysis of the Food Stamp program, which should take no more than 2 weeks, the review group will begin outlining and evaluating potential optional modifications to the program. This phase will last approximately 4 weeks. The option development process will concentrate upon the following 3 issue areas:

- o Eligibility: defining criteria for Food Stamp eligibility should consider the following types of factors:

- eligibility criteria for other programs aimed at transferring additional resources and aid to the poor (or proposed programs), such as AFDC, Title XX, ISP, etc.;
- scaled reduction of benefits to prevent work disincentives;
- "horizontal equity" between program recipients and the working poor with equivalent income;
- reducing or standardizing income deductions;
- gross income standard with no deductions.



o Form of Aid: the various formats which nutritional resource aid could take should be completely explored, including:

- restructuring the purchase - bonus system;
- eliminating purchase requirement;
- replacing stamps with cash;
- partial cashout.

o Nutritional Requirements and Cost: the third area where option development needs to take place is in the exploration of various approaches toward defining the nutritional needs which should be met by a Federal program. This analysis should lay out optional recommended diets and define their costs. It should then explore other types of Federal approaches to assisting Americans in securing such nutrition. These approaches might include:

- provision of prepared meals;
-
- increased consumer education and nutritional advertising;
- direct food distribution.

Work Groups

It is proposed that sub groups be formed to develop options in these areas over the 4 week period and that the review group meet as a whole periodically during this period to discuss the progress of the work groups.

DOMESTIC COUNCIL REVIEW

When the options are completed, the Domestic Council review group will review and discuss the range of alternatives and select the most appropriate set of alternatives for Presidential decision. Members of the review group will also indicate for the President which options they recommend.

The work groups will prepare a decision paper for the President based upon these Domestic Council decisions.

7/2 7/9 7/16 7/23 7/30 8/6 8/13 8/20 8/27 9/3 9/10 9/17 9/24 10/1 10/8 10/10 10/15 10/22

Preliminary Analysis

Option Development

Domestic Council Review

Final Option Development with Recommendations

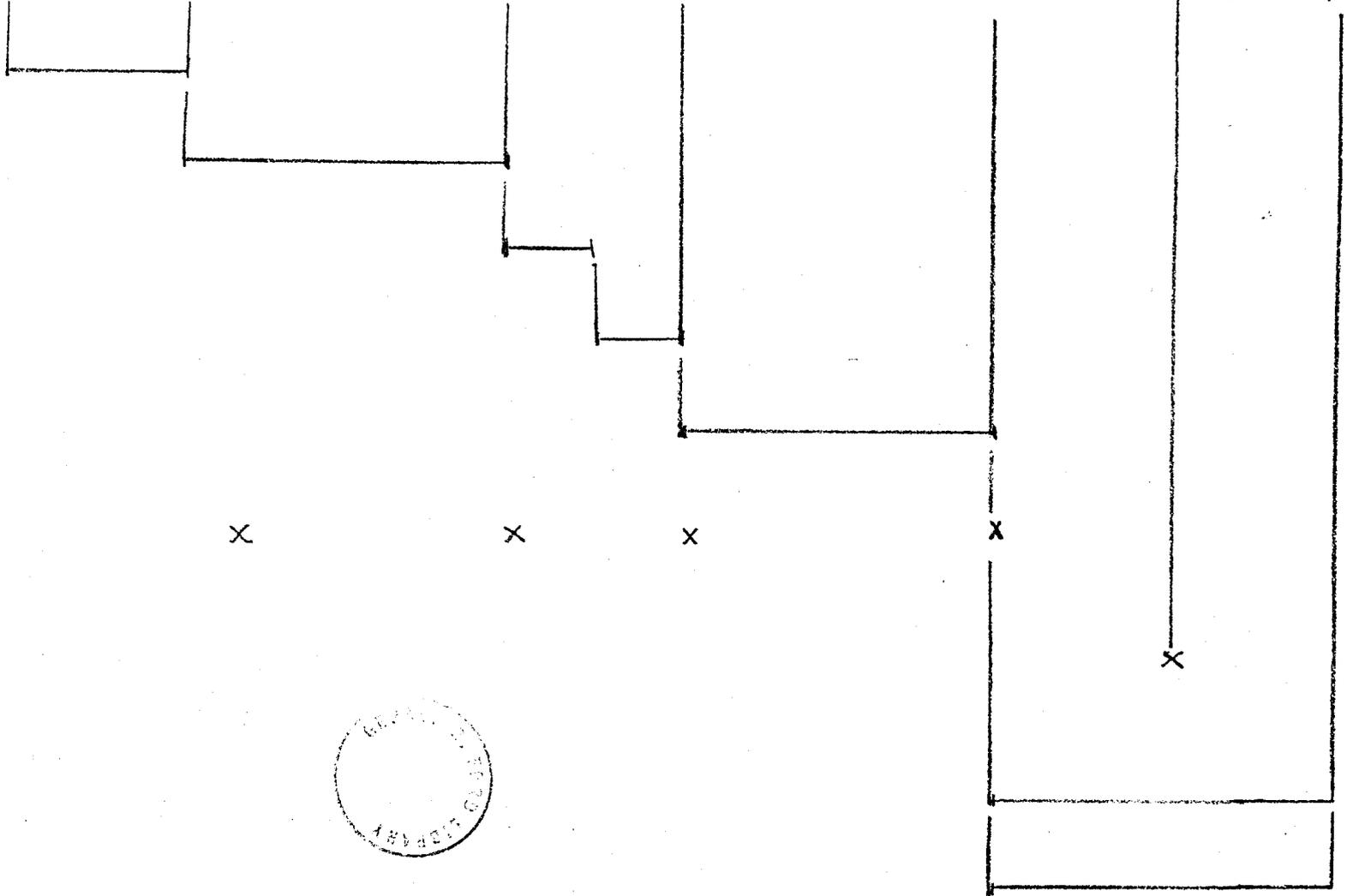
Presidential Decisions

Briefing on Regulation Development and Discussion

Regulations Promulgated

Policy and Legislative Proposals Developed

Legislative and Political Strategy Development



7/3/75

DRAFT MESSAGE TO THE CONGRESS

In the budget that I submitted to Congress in January, I requested \$3.8 billion to support the provisions of the Food Stamp Act for the next fiscal year. Today, I am compelled to request that you increase this figure by \$3 billion, nearly doubling what we estimated the cost would be just six months ago.

This increase reflects in part the economic troubles this country has been going through. Of greater significance, however, is the fact that this program has grown beyond all estimates because its fundamental structure invites expansion, because of court decisions that have been rendered and because of a variety of abuses.

While it is essential that the Congress approve this request for additional funds, it is even more essential to examine the underlying causes of these increased costs and what the future of this program will be if we fail to address these issues.

When the Food Stamp Act was enacted in 1964, it stated that its purpose was "to strengthen the agricultural economy; to help achieve a fuller and more effective use of food abundances; to provide for improved levels of nutrition among economically needy households..."

The first question, therefore, is whether these goals still apply. Farm surpluses are no longer the problem they were in 1964 and there is no evidence that the aim of improving the level of nutrition has had a significant effect on the average diet. What has evolved over the past decade is another income supplement program, fully supported by Federal taxpayers.

A decade ago, there were 400,000 persons participating in the program at a cost of \$36 million. Today we have 20 million participants at a projected cost of \$6.8 billion. If every eligible person in the country were to sign up for the Food Stamp program, it has been estimated that between 40 to 60 million people would be receiving stamps.

There are those that would argue that the Food Stamp program is uncontrollable and that the escalating costs are inevitable.

I refuse to accept the proposition that this, or any public program for that matter, is uncontrollable. To accept such a proposition is an abdication of leadership.

The Food Stamp Act was placed in the Statutes by the Congress of the United States. The Congress of the United States has the power and authority to amend, change or abolish this or any other program that no longer fulfills its purpose or meets its objectives.

I ask the Congress to join me in refusing to accept the label "uncontrollable." We must ask ourselves whether the taxpayers of this nation can continue to accept the burden that this program has



imposed upon us. I submit that this was not our intention when this Act was passed in 1964.

Was it the intention of this Congress to spread the resources of this nation so thin that the people who are truly in need be compelled to share the limited dollars available with persons living on incomes of \$10,000 or more?

I submit that these were not our intentions in 1964, are not our intentions in 1975, and should not be our intentions in the future.

The costs of the program must be controlled and they must be controlled in a manner which enables continued assistance to families which clearly are in need.

Earlier this year, I submitted a proposal which would have required all participants to pay the same percentage of their income to purchase food stamps. This plan would have continued assistance to those in need and would have distributed benefits on an equitable basis. However, this reform, which would have saved \$650 million, was rejected by the Congress.



Instead, there has been the inclination on the part of the Congress to tinker with the Act and endorse separate features, when looked at in isolation, appears to be desirable. The automatic cost-of-living increase, the mandated outreach program, proposals to allow persons to become eligible by simply signing a statement without immediate verification -- all of these, well intentioned as they might be, have been major contributors to the rapid expansion of this program.

To permit the continued expansion is irresponsible. To imply that the program cannot be contained is inaccurate.

I have directed the Domestic Council to begin an immediate identification of every available means of bringing this program under control. I have asked them to reevaluate the goals, objectives, and the performance of this program in such a way that costs can be contained and every needy household will have the resources to obtain a nutritionally balanced diet.

I am pleased to note that very recently more than 70 Members of Congress have supported legislation which recognizes the need for change and seek to focus available resources on assistance to low-income Americans. Those members have also identified the need to relate the Food Stamp program to other assistance programs directed toward these families.

Their proposal introduces a number of positive initiatives which should be supported by everyone who shares the dual goals of assisting those in need and controlling costs.

The need for change is obvious, is recognized, and it must be pursued. It can only be accomplished by those of us who have been placed in positions of leadership, we in the Executive Branch, and you in the Congress, working together.

To let problems grow to the point of a crisis, endangers our resources and limits our ability to meet our nation's objectives. The challenge for democracy in an increasingly complicated world is to learn to act in time.



File

Review

COMMENTS BY PARTICIPANTS OF THE FOOD STAMP PROGRAM GROUP

Alan Greenspan

"My preference is for Option I with the following features:

Continue subsidy in form of Food Stamps but with the purchase requirement.

Change income eligibility provisions by:

- 1) going to a 12 month accounting period; and
- 2) limiting deductions to taxes, medical expenses exceeding 8 percent of income, child care expenses for children age 6 or under only in households where all adults work 25 hours or more a week and with a cap on the deduction of \$35 a week per household.

Eliminate any provisions for categorical eligibility.

Include in the asset test the equity value of all assets, including owner occupied homes, with a deduction of \$500 for personal possessions, and \$500 for tools needed for work.

Go to Federal-State matching system for funding, but retain Federal standards and State administration."

L. William Seidman

"Option I, ~~including one of four variations within the option~~, seems best suited to ease the problems since it attacks both the eligibility and deduction. At the same time, it does not remove from the individual receiving the stamps all responsibility for making food provisions. Selection of Option II... relieves the recipient of the existing portion of responsibility. Options III and IV take the form of cashouts, which as stated in your memorandum, might be considered in the context of long-term welfare reform.

Our recommendation would be Option I with a standard deduction."

LIBRARY

Caspar W. Weinberger

"We... agree with the four major options that are presented. I strongly endorse Option IV. At the same time, I oppose any option which does not significantly move towards cash-out."

John Dunlop

"I would like to endorse... Option II.

Option II does move away from the voucher position toward cash.

All things considered, given our reading of the political climate and the apparent inclination to effect economies, while at the same time continuing a program which seems uniquely geared to the needs of and utilized by the lowest income groups, we would support Option II."

USDA

Indicated support of the concepts in Option I. The Department indicated that they could not verify the cost and savings figures. They also recommended that USDA be given legislative authority to test Option II on a limited basis.

Treasury

Indicated their support for the concept of Option I by telephone on July 31, 1975.



THE WHITE HOUSE
WASHINGTON

DATE: July 7, 1975

TO: JIM CANNON

FROM: JIM CAVANAUGH ~~PH~~

SUBJ: Reagan Column

FYI X

Action



Copies have been
sent to Jack Veneman
and Art Quern.

*File
Food Stamps*

Queen

JUL 07 1975

THE RONALD REAGAN COLUMN
(For Release In Papers Of Friday, July 4, And Thereafter)

By RONALD REAGAN



Copley News Service

Ten years ago the Food Stamp Act was passed to help America's needy get a nutritious diet. Today, the program is so far out of control its operations resemble a madhatter's tea party.

Help may be on the way. A bipartisan Food Stamp Reform Act of 1975 has been introduced in Congress which could bring the program under control and save the taxpayers \$2 billion a year, while at the same time increasing benefits for the truly needy an average of 29 per cent.

In 1965 there were fewer than half a million food stamp recipients. The program cost \$36 million that year.

The Ronald Reagan Column -- 2

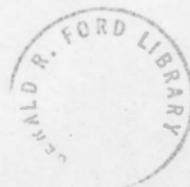
This year, it's estimated there will be 19 million Americans on food stamps at a cost to the taxpayer of \$5.2 billion--an increase of more than 14,000 per cent!

That first year, one in every 439 Americans was on food stamps; today, it's one in 13, and soaring upward. It could be much worse; potentially one-fourth of the entire population--52.8 million persons--is technically eligible.

Are there really that many poor and hungry people to feed? No, the problem lies with the liberal, loose eligibility standards for food stamps.

Last year in California, I appointed a governor's task force to study the Food Stamp Program, along with one which was reviewing the effectiveness of our 1971 Aid-To-Families-With-Dependent-Children (AFDC) welfare reforms (we had reduced the rolls by nearly 400,000, while raising grants an average of 43 per cent).

The food stamp task force found that many college students were technically eligible and drawing stamps, though they came from wealthy families. There was no maximum income limit to qualify for food stamps. There was no minimum age requirement, so that teen-age runaways living in communes could even qualify. And, unlike the welfare program, food stamp rules did not prohibit the rearrangement of one's assets in order to qualify.



Other problems involved lax physical security and movement of the stamps and inadequate counterfeiting safeguards.

Most of the reforms the California task force recommended, however, had to be accomplished at the federal level, since the program is federally mandated.

For several months a group of U.S. senators and congressmen has been studying these recommendations and others and has incorporated a number of them in the new reform bill now co-sponsored by 59 members of the House and 17 senators.

Their objective is to reverse the explosive trend of the program. They are alarmed that more than half the potential recipients--57 per cent--have incomes above the poverty line.



Their bill spells out in detail the reforms needed to bring it under control. Basically, the bill relates eligibility to that of AFDC and general welfare programs providing for similar eligibility standards. This should eliminate, for example, the voluntarily unemployed, strikers, college students subsidized by their parents and people who transfer assets to others in order to qualify.

Among other things, the bill would require able-bodied recipients without children under age 6 to register for work and seek it, or to enter community work training programs if their state has them. This is not required now, hence the bill's objective: no rewards for idleness.

If the bill passes, the program will move out of the Department of Agriculture, which got it in the first place because the intent was to feed the needy from agricultural surpluses. The surpluses are long gone, but the program now accounts for more than 60 per cent of the USDA budget. It would move to Health, Education and Welfare, which administers the rest of the nation's welfare programs.

While bringing the food stamp mess under control, the government will upgrade the diet formula for recipients, raising coupon allotments by 29 per cent, and will reduce stamp costs for the aged.

Rarely enough these days does Congress consider the hard-pressed taxpayer. With this bill it does, while also helping the truly needy (not to be confused with the wanty, a far different and much larger group).

