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THE WHITE HOUSE  
WASHINGTON

January 20, 1976

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR:

JAMES T. LYNN

FROM:

JAMES E. CONNOR 

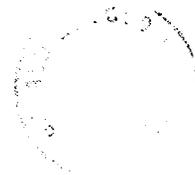
SUBJECT:

Food Stamp Reform

The President reviewed your memorandum of January 3, 1976 and agreed to meet with the Members of Congress suggested in your memorandum.

Please follow-up with appropriate action.

cc: Dick Cheney  
Jerry Jones



THE WHITE HOUSE  
WASHINGTON

January 8, 1976

MR PRESIDENT:

The attached memorandum was staffed to Messrs. Marsh, Friedersdorf and Cannon. The following comments were received:

Jack Marsh - "Agree to meeting"

Max Friedersdorf - "The Office of Legislative Affairs endorses meeting with Members as recommended."

Jim Cannon - "Jim Lynn is correct, the House Members with whom we worked on the legislation have done nothing to advance the President's bill. I believe the President should:

1. Proceed administratively to implement reform proposals.
2. Meet with key Republican and Democratic members of Congress."

Jim Connor

*Summer Mt. budget.*





EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

ACTION

JAN 3 1976

MEMORANDUM FOR: THE PRESIDENT  
FROM: James T. Lynn  
SUBJECT: Food Stamp Reform

Background

On October 20, 1975, you sent to the Congress the National Food Stamp Reform Act. Secretary Butz has testified (before the Senate committee) and it appears that the Senate may mark up a bill in January. There is no apparent movement in the House.

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

You will recall that last January we proposed to change food stamp cost-sharing by requiring all participants to pay 30% of their income for food stamps. The Congress reacted by passing legislation freezing the cost-sharing provisions, which became law without your signature. This legislative barrier to change expires on January 1, 1976.

Possible Administrative Action

Action by the Congress on your supplemental funding request for the food stamp program suggests the possibility of trying, once again, to accomplish major food stamp reform through administrative action.

The Congress reduced your \$3.9 billion supplemental funding request for FY 1976 and the Transition Quarter to \$1.8 billion. In explaining why the food stamp supplemental was reduced, Chairman Mahon said: "...the food stamp program (which) was reduced \$2.1 billion because of carryover of fiscal 1975 funds, lower than estimated participation, and in anticipation of the Department of Agriculture issuing stronger regulations." (Emphasis added.)



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

Given these statements, the lifting of the legal barrier to administrative action on January 1, the fact that funds provided by the Congress are not sufficient to cover program costs for the remainder of the year, and the lack of decisive action by the Congress on the proposed reform legislation, we recommend a new attempt to reform the program through changes in the regulations.

If you agree, we suggest you meet with Senators Scott and Buckley and Congressmen Rhodes and Michel to get their views on this approach. If there is general agreement, we would then work with the Department to design regulations for your review that will produce the savings anticipated by the budget decisions.

Attached at the tabs are:

- A. The Congressional Record report of the Mahon and Whitten statements on the supplemental.
- B. The Appropriations subcommittee report on the food stamp program.
- C. A listing showing the changes proposed in the reform legislation that can be accomplished administratively after January 1, 1976.
- D. A possible phasing approach to administrative reform.
- E. The language of the bill adopted by the Congress last February 5, 1975, freezing the regulations.



Agree, I will meet with the Members.

Disagree, no administrative reform attempt at this time.

Other, see me.

Attachments





1974



Madden  
Maguire  
Mahon  
Matsunaga  
Meeds  
Melcher  
Metcalf  
Meyner  
Mezvisky  
Mikva  
Milford  
Mills  
Mineta  
Minish  
Mink  
Mitchell, Md.  
Moakley  
Mollohan  
Moorhead, Pa.  
Morgan  
Moss  
Murphy, Ill.  
Murphy, N.Y.  
Nedzi  
Nix  
Nolan  
Nowak  
Oberstar  
Obey  
O'Hara  
O'Neill  
Ottinger  
Passman  
Patten, N.J.  
Patterson,  
Calif.

Abdnor  
Alexander  
Anderson,  
Calif.  
Andrews, N.C.  
Archer  
Armstrong  
Ashbrook  
Bafalis  
Baldus  
Bauman  
Beall  
Blouin  
Bowel  
Breaux  
Brinkley  
Brown, Mich.  
Brown, Ohio  
Broyhill  
Buchanan  
Burgener  
Burke, Fla.  
Burlison, Mo.  
Burton, John  
Butler  
Byron  
Carr  
Carter  
Cederberg  
Chappell  
Clancy  
Clausen,  
Don H.  
Clawson, Del  
Cochran  
Colten  
Collins, Tex.  
Conable  
Conlan  
Coughlin  
Crane  
D'Amico  
Daniel, Dan  
Daniel, R. W.  
Davis  
Dellums  
Derrick  
Devine  
Dickinson  
Duncan, Tenn.  
du Pont  
Edwards, Ala.  
Emery  
English  
Erlenborn  
Esch  
Evans, Ind.  
Fenwick  
Flindley  
Fish  
Flitman  
Florio  
Flowers  
Flynt  
Ford, Tenn.  
Forsythe  
Fountain

Pattison, N.Y.  
Pepper  
Perkins  
Peyster  
Pickle  
Pike  
Preyer  
Price  
Pritchard  
Randall  
Rangel  
Rees  
Rous  
Richmond  
Riegle  
Risenhoover  
Roberts  
Rodino  
Roe  
Roncallo  
Rooney  
Rose  
Rosenthal  
Rostenkowski  
Roush  
Roybal  
Ryan  
St Germain  
Sarbanes  
Scheuer  
Seiberling  
Sharp  
Shipley  
Simon  
Sisk  
Slack

**NAYS—198**

Frenzel  
Frey  
Gaydos  
Gialmo  
Gibbons  
Gilman  
Ginn  
Goldwater  
Goodling  
Gradison  
Grassley  
Hagedorn  
Haley  
Hammer-  
schmidt  
Hansen  
Harkin  
Harrington  
Harsha  
Hastings  
Hays, Ohio  
Hechler, W. Va.  
Heckler, Mass.  
Hefner  
Heinz  
Henderson  
Hillis  
Hinsshaw  
Holland  
Holt  
Horton  
Howe  
Hubbard  
Hughes  
Hutchinson  
Hyde  
Ichord  
Jacobs  
Jarman  
Jeffords  
Johnson, Colo.  
Jones, N.C.  
Jones, Tenn.  
Kasten  
Kastenmeier  
Kelly  
Kemp  
Ketchum  
Kindness  
Lagomarsino  
Latta  
Lent  
Levitas  
Lloyd, Tenn.  
Lott  
McCloskey  
McCollister  
McDonald  
McKinney  
Madigan  
Mann  
Martin  
Marzoli  
Michel  
Miller, Calif.  
Miller, Ohio

Smith, Iowa  
Solars  
Spellman  
Stanton,  
James V.  
Stark  
Steed  
Stephens  
Stokes  
Studds  
Symington  
Teague  
Thompson  
Thornton  
Tsongas  
Ullman  
Van Deerin  
Vander Veen  
Vanik  
Vigorito  
Waggonner  
Weaver  
Whalen  
White  
Whitehurst  
Wiggins  
Wilson, Tex.  
Wirth  
Wright  
Wydler  
Yates  
Young, Ga.  
Young, Tex.  
Zablocki  
Zerfetti

**NOT VOTING—23**

Anderson, Ill.  
Andrews,  
N. Dak.  
Bell  
Cleveland  
Dent  
Eahleman  
Fary  
Fraser  
Hawkins  
Jenrette  
Karth  
Lujan  
McEwen  
Mathis  
Mosher  
Nichols  
Rhodes  
Runnels  
Stratton  
Udall  
Waxman  
Young, Alaska

The Clerk announced the following pairs:

On this vote:

Mr. Hawkins for, with Mr. Dent against.  
Mr. Waxman for, with Mr. Nichols against.  
Mr. Karth for, with Mr. Mathis against.  
Mr. Udall for, with Mr. Runnels against.  
Mr. Fraser for, with Mr. Young of Alaska against.  
Mr. Fary for, with Mr. McEwen against.  
Mr. Stratton for, with Mr. Andrews of North Dakota against.

Messrs. MADIGAN and JARMAN changed their vote from "yea" to "nay." So the bill was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

**GENERAL LEAVE**

Mr. ULLMAN. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on the bill just passed.

The SPEAKER. Is there objection to the request of the gentleman from Oregon?

There was no objection.

**PERMISSION FOR SUBCOMMITTEE ON WATER RESOURCES OF COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION TO SIT THIS AFTERNOON DURING GENERAL DEBATE**

Mr. ROBERTS. Mr. Speaker, I ask unanimous consent that the Subcommittee on Water Resources of the Committee on Public Works and Transportation be permitted to sit this afternoon during general debate.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

Mr. ROUSSELOT. Mr. Speaker, reserving the right to object, is this just for 1 day?

Mr. ROBERTS. Yes, for today.

Mr. ROUSSELOT. Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

**SUPPLEMENTAL APPROPRIATIONS BILL, 1976**

Mr. MAHON. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 10647) making supplemental appropriations for the fiscal year ending June 30, 1976, and the period ending September 30, 1976, and for other purposes; and pending that motion, Mr. Speaker, I ask unanimous consent that general debate be limited to 1½ hours, the time to be equally divided and controlled by the gentleman from Michigan (Mr. CEDERBERG) and myself.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

The SPEAKER. The question is on the motion offered by the gentleman from Texas (Mr. MAHON).

The motion was agreed to.

**IN THE COMMITTEE OF THE WHOLE**

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill H.R. 10647, with Mr. HUNGATE in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

The CHAIRMAN. Under the unanimous-consent agreement, the gentleman from Texas (Mr. MAHON) will be recognized for 45 minutes, and the gentleman from Michigan (Mr. CEDERBERG) will be recognized for 45 minutes.

The Chair recognizes the gentleman from Texas (Mr. MAHON).

Mr. MAHON. Mr. Chairman, I yield myself such time as I may consume.

(Mr. MAHON asked and was given permission to revise and extend his remarks.)

Mr. MAHON. Mr. Chairman, the bill before us today includes \$7.9 billion in budget authority. Of the 13 subcommittees of the Appropriations Committee, 7 have had a part in the drafting of the legislation and the entire Appropriations Committee, of course, has concurred in reporting this bill to the House for favorable action.

This is the first general supplemental appropriation bill for the fiscal year 1976. We have had extensive hearings and the hearings are available. The bill provides \$7.9 billion, a net decrease of \$1.9 billion below the estimates presented to the Congress by the President. Of the amount included in the bill, \$7.8 billion is for fiscal 1976 and \$127.7 million is for the transition period.

**BILL HIGHLIGHTS**

Of the total in the bill \$6,750,000,000 or 85 percent is to fund requests for unemployment compensation and food stamps programs which were received after Congress had completed action on the regular 1976 appropriation acts. Of the remaining funds, \$127,654,795 is for the transition period of July 1, 1976, to September 30, 1976, and \$610,416,000 is for health programs which were not authorized when the regular 1976 bill was acted upon by the Congress. This latter amount, although \$282,572,000 over the budget requests, essentially continues those programs at the fiscal 1975 levels.

The net reduction results primarily from the food stamp program which was reduced \$2,175,978,000 because of carry-over of fiscal 1975 funds, lower than estimated participation, and in anticipation of the Department of Agriculture issuing and enforcing stronger regulations.

**MAJOR ITEMS INCLUDE**

- For the food stamp program, \$1,750,000,000.
- For advances to the unemployment trust fund, \$5,000,000,000.
- For grants to States for unemployment insurance and employment services, \$364,100,000.

For benefit payments under the Federal Employee's Compensation Act, \$97,-100,000.

For the Health Services Administration, \$432,000,000.

For mental health programs, \$50,500,-000.

For nurse training programs of the Health Resources Administration, \$77,-000,000.

For the Development Disabilities Services and Facilities Construction Act, \$37,125,000.

For facilities and equipment for the Federal Aviation Administration, \$245,-537,000.

For watershed and flood prevention operations, \$21,702,000.

Mr. Chairman, the report treats extensively of the content of the bill. I do not believe it is necessary to further discuss the bill here in this period of general debate. However, the chairmen of the subcommittees involved in the preparation of the bill are present to answer any questions members may have regarding the contents of the bill.

**STATUS OF APPROPRIATION BILLS FOR FISCAL YEAR 1976**

Mr. Chairman, I would like to bring the status of appropriation bills for 1976

to the attention of the House at this time. Six bills have become law. They are:

- Education, over a Presidential veto;
- Legislative;
- Housing and Urban Development;
- State, Justice, Commerce, and the Judiciary;
- Agriculture, and
- Treasury, Postal Service, and General Government.

In addition, the Transportation bill conference report was approved by the Senate yesterday, clearing that bill for the President.

Conferees completed action on the military construction bill yesterday and the conference report will be eligible for consideration in the House on Monday, November 17.

The Labor-HEW bill is in conference and Senate floor action on the Defense bill is scheduled to begin today. We hope to have at least part of the conference before the Thanksgiving recess.

The House has passed the Public Works and Interior bills but they have not yet been reported to the Senate. This leaves two bills, District of Columbia and Foreign Aid. The budget justifications for those programs were received no November 5 and October 30 respec-

tively and hearings on both bills are now underway.

The continuing resolution which provides operating money for those programs not covered by enacted appropriation measures, expires with the sine die adjournment of this session. It will be necessary to extend it to cover those measures which will not become law before that time. Obviously the District of Columbia and foreign aid bills fall into that category and it is possible that Labor-HEW, Public Works, and Interior may not be enacted.

In House action to date \$5.3 billion has been reduced in budget authority which will result in an outlay reduction of about \$2.9 billion. Any difficulty with regard to the pending budget and reduction of expenditures is not so much in the appropriation bills, although we have our problems there, but more specifically in the legislative bills which mandate additional spending for such things as veterans benefits, social security, and otherwise.

**TABULAR SUMMARY**

At this point in the RECORD, I offer a summary table by chapters reflecting the budget requests and amounts recommended by the committee in the bill:

**COMPARATIVE STATEMENT OF NEW BUDGET (OBLIGATIONAL) AUTHORITY ESTIMATES AND AMOUNTS RECOMMENDED IN THE BILL—SUMMARY**

Chapter No.	Budget estimates	Recommended in bill	Budget compared with estimates
<b>I Department of Agriculture:</b>			
Fiscal year 1975.....	\$3,137,095,000	\$1,771,702,000	-\$1,365,393,000
Transition period.....	788,883,000		-788,883,000
<b>II Labor, and Health, Education, and Welfare:</b>			
Fiscal year 1976.....	5,433,207,000	5,717,055,000	+283,848,000
Transition period.....	90,550,000	115,756,000	+25,206,000
Trust fund transfers.....	364,100,000	364,100,000	
<b>III Legislative:</b>			
Fiscal year 1973 (reappropriation).....	300,000	300,000	
Fiscal year 1976.....	43,184,958	39,823,308	-3,361,650
Transition period.....	10,581,460	5,667,795	-4,913,665
<b>IV State, Justice, Commerce and Judiciary:</b>			
Fiscal year 1976.....	7,318,000	6,537,000	-781,000
Transition period.....	1,824,000	1,612,000	-212,000
<b>V Transportation:</b>			
Fiscal year 1976.....	250,000,000	245,537,000	-4,463,000
(Liquidation of contract authorization):			
Fiscal year 1976.....	(50,000,000)	(50,000,000)	
Transition period.....	(43,000,000)	(43,000,000)	
<b>VI Treasury, Postal Service, and General Government:</b>			
Fiscal year 1976.....	32,475,000	14,705,000	-17,770,000
Transition period.....	9,926,000	4,619,000	-5,307,000
<b>VII Claims and judgments: Fiscal year 1976.....</b>	<b>24,946,893</b>	<b>24,946,893</b>	
Total:			
Fiscal year 1973.....	300,000	300,000	
Fiscal year 1976.....	8,928,226,861	7,820,306,201	-1,107,920,660
Transition period.....	901,764,460	127,654,795	-774,109,665
Trust fund transfers.....	364,100,000	364,100,000	
(Liquidation of contract authorization):			
Fiscal year 1976.....	(50,000,000)	(50,000,000)	
Transition period.....	(43,000,000)	(43,000,000)	

Mr. HAYS of Ohio. Mr. Chairman, would the gentleman yield? I have a series of appointments and I wanted to ask the gentleman from Pennsylvania (Mr. FLOOD) a question about the portion of the bill under his control, which I think will only take about a minute.

Mr. MAHON. I would be happy to yield to the gentleman from Ohio.

Mr. HAYS of Ohio. Mr. Chairman, I wish to ask the gentleman from Pennsylvania (Mr. FLOOD) concerning that portion of the bill which the gentleman has control of which deals with the recruiting of doctors for rural areas, and it appears that you have given them the amount of money they requested but there apparently is a restriction on the number of doctors, and if they can re-

cruit the number of doctors they want within the funds they are granted, then is there really any hard and fixed ceiling on the number of doctors?

Mr. FLOOD. If the gentleman will yield, no, there is not. I believe the gentleman is speaking of the National Health Service Corps?

Mr. HAYS of Ohio. The gentleman is correct.

Mr. FLOOD. That does call for the recruitment of doctors, nurses, and other health professionals in rural areas, and other shortage areas.

By the way, this has been a very successful program, we think it has been very successful.

Mr. HAYS of Ohio. I agree with the gentleman, and it has been in my area.

Mr. FLOOD. There is no question about that.

We have added \$2,471,000 above the budget request which held to the 1975 level. Under the budget there would have been no additional communities added, and no additional physicians, dentists, or nurses could have been recruited. The increased funds in the bill will expand the number of communities and will allow for the recruitment of at least 75 additional physicians, dentists, nurses, and other health professionals. If more than 75 individuals can be recruited with this increase of 2,471,000, I cannot imagine that there would be objection.

Mr. HAYS of Ohio. I thank the gentleman from Pennsylvania for his response, and that answers my question.

and "Chinook" conditions on low-elevation snow resulted in a 100-year runoff event damaging Umatilla County. The Walla Walla, Umatilla, and John Day Rivers, along with their tributaries and watersheds were impaired by the event. Areas were denuded, streambanks eroded, streambeds scoured, and streams clogged with debris and sediment.

**Recommended Emergency Measures—Streambank stabilization, debris removal, revegetation, and structure repair.**

**Second Event and Damages—**In July, high intensity storms, 4.12 inches in one 6-hour period, following an extended wet season, caused the impairment. Wallowa County suffered extensive flood damage along the Wallowa River, Lostine River, Hurricane Creek, Bear Creek, Whiskey Creek, and Parsnip Creek. In Baker County, Eagle Creek, and Pine Creek drainages were hard hit. Debris deposition and streambank erosion are the major damages of concern.

**Recommended Emergency Measures—**Debris and sediment removal from streams, riprap for streambank stabilization, revegetation, and structure repair.

#### PENNSYLVANIA

Unfunded Request \$3,000,000.

**Event and Damages—**Tropical storm "Eloise" caused clogging of streams with debris, and denuding of acres of vegetation in the Susquehanna Valley on September 24, 25, and 26. Twelve inches of rainfall was recorded in Harrisburg. Twenty-seven counties received damage.

**Recommended Emergency Measures—**Snagging and clearing streams of debris and sediment and revegetation of eroded and denuded areas for land stabilization.

#### TENNESSEE

Unfunded Request \$2,430,000.

**Event and Damages—**Heavy rainfall in March over much of the state resulted in streambank sloughing, channel clogging with sediment and debris, and channel degradation. Principal damages occurred in 10 counties.

**Recommended Emergency Measures—**Streambank stabilization and repair, debris and sediment removal, drop structures, and grade control structures.

#### Watershed name and county

Cane Creek, Lauderdale.  
Houser Creek, Obion.  
Thompson Creek, Weakley and Henry.  
Cub Creek, Hardeman.  
Horse-Turkey Creek, Hardin.  
Mud Creek Hardin.  
Bear Creek, Haywood, Fayette, Hardeman.  
Porter Creek, Hardeman.  
Indian Creek, Hardeman, Fayette.  
Wolf River, Fayette.  
Trace Creek, Humphreys.  
Crow Creek, Franklin.  
Crow Creek, Little Crow Creek, and Crosses Creek, Franklin.

#### WASHINGTON

Unfunded Request \$106,000.

**Event and Damages—**Storm event of July 7. Storm estimated to be a 300-year event causing loss of watershed cover. The storm occurred on a 1970 burn area in Mitchell Creek, Johnson Creek, and Gold Creek Watersheds.

**Recommended Emergency Measures—**Gabion groins for stabilization, snagging and debris removal, sediment basins, and revegetation of denuded areas.

#### WISCONSIN

Unfunded Request \$1,159,000.

**Event and Damages—**Tornadoes, high winds, and rainfall—6 to 9 inches in one 2 to 3-hour period during August. Another series of storms occurred September 10 and 11 with 5-7 inches of rainfall, winds and some hail on the same 4 county area—Pipin, Pierce, Buffalo, and Trempealeau.

The major types of damages which occurred are: Debris clogged channels, streambank erosion, vegetation removal from eroding areas.

**Recommended Emergency Measures—**Remove debris and sediment from blocked watercourses, stabilize and vegetate denuded and gullied areas and streambanks.

The reason we have included these funds is that by the time we pass this bill, it will be getting late in the year, and unless these damages are repaired or corrected early, the winter's ice and snow greatly increased the damages.

#### FOOD STAMP PROGRAM

The other item is one that is not the easiest in the Congress or in the law to deal with, and that is the food stamp program. The Members will recall that in the original budget the Office of Management and Budget recommended to the Congress approximately \$3½ billion less than the witnesses testified would be required to fund the food stamp program in fiscal year 1976. This left the subcommittee, and through us the full Committee on Appropriations, in a position where we either would be cutting that program by the \$3½ billion on the one hand, or else if we wanted to provide the money which the Department acknowledged that they had to have, we would be appropriating \$3½ billion over the budget.

Therefore, we appropriated in our regular bill only for the first 7 months, in line with the funds in the budget request. OMB finally submitted to us the budget estimate for the amount they had failed to ask for, but which they acknowledged they needed. So we are now recommending the funds to fund these programs for the period February 1 to the end of the fiscal year.

We were told during our hearings that the bill which had been recommended to the legislative committee by the administration would change the law and correct the problems which we have all heard about.

Since on the one hand the Department and the OMB called for a change in the law to correct these things, I got the statutes and read them. In this connection, section 5(a) of the Food Stamp Act which authorizes the Secretary of Agriculture to establish eligibility standards and specifically provides:

\*\*\* participation in the food stamp program shall be limited to those households whose income and other financial resources are determined to be substantial limiting factors in permitting them to purchase a nutritionally adequate diet.

Section 10(e) provides that the Secretary must approve State plans and specifies:

The State agency of each State desiring to participate in the food stamp program shall submit for approval a plan of operation specifying the manner in which such program will be conducted within the State \*\*\*

And section 10(f) authorizes the Secretary to withhold funds:

If the Secretary determines that in the administration of the program there is a failure by a State agency to comply substantially 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 reasonable period of time for the correction of such failure. Upon the expiration of such period, the Secretary shall 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.

Section 11 authorizes the disqualification of retail stores and wholesale concerns under the following conditions:

Any approved retail food store or wholesale food concern may be disqualified from further participation in the food stamp program on a finding, made as specified in the regulations that such store or concern has violated any of the provisions of this Act, or the regulations issued pursuant to this Act. Such disqualification shall be for such period of time as may be determined in accordance with regulations issued pursuant to this Act. The action of disqualification shall be subject to review as provided in section 13 of this Act.

In addition, other sections of the Food Stamp Act, as amended, deal with the authority of the Secretary to establish terms and conditions for participation in the program.

Therefore, it would seem apparent that most of the abuses of the program, which have been so widely reported, are subject to action by the Department. Some officials estimate that close to 1 out of every 5 food stamp dollars are used improperly. Improper issuance, lax regulations, fraud, blackmarketing, and loose eligibility standards may be costing \$1 billion per year.

For example, testimony before the committee revealed that under existing regulations an individual could own a \$100,000 home and a new luxury automobile, but as long as he was unemployed and had less than \$1,500 in the bank he could get food stamps; two airline pilots with income in the \$50,000 per year bracket drew food stamps during an airline strike; and it was reported that in some States a food stamp caseworker must complete as many as a dozen different forms in order to certify an applicant eligible under existing regulation. These and similar cases could be prevented by a change in regulations.

It has also been reported that food stamps are widely used to purchase liquor, cigarettes, hard drugs, or make installment payments on television sets and other major items. This would be greatly reduced through the counter-signing procedure.

With regard to the complaints of issuance of food stamps to students contrary to the intent of the act, the committee calls attention to the following provision contained in the Appropriation Act for fiscal year 1976:

Provided further, That no part of the funds appropriated by this Act shall be used during the fiscal year ending June 30, 1976 to make food stamps available to any household, to the extent that the entitlement otherwise available to such household is attributable to an individual who: (i) has reached his eighteenth birthday; (ii) is enrolled in an institution of higher education; and (iii) is properly claimed as a dependent child for Federal income tax purposes by a taxpayer who is not a member of an eligible household.

In this case all that is needed is for the Department and others to enforce the law.

It becomes evident that at least a billion dollars a year could be saved if the Department would change the regulations and enforce them. For the purpose of enforcement, the committee authorized for the fiscal year the transfer of an additional \$6,094,000 to the Inspector General. This is in addition to other enforcement activities.

I would like to repeat the language which we recommended in the conference report (94-528) on the fiscal year 1976 bill which appropriated funds for the food stamp program for the first 7 months of fiscal year 1976 and for the transition period:

FOOD STAMP PROGRAM

The conferees are extremely concerned about the increasing reports of widespread irregularities and abuses in the food stamp program, resulting in greatly increased costs. Unless this situation is corrected it could jeopardize the program. This cannot be allowed to happen since food assistance to the truly needy is an accepted responsibility. Numerous suggestions have been made in years past in an effort to more properly supervise handling of the program.

Under current regulations of the Department of Agriculture, the recipient, upon receipt of the coupons, must sign his name on the inside cover of the coupon book. Such a procedure aids in the recovery of lost or stolen coupons, and the Department should do everything possible to see that this regulation is faithfully complied with at the local welfare or other issuing offices.

This regulation does not protect the program, however, from various abuses such as black marketing, theft, and other improper uses. The conferees are of the opinion that many of these problems could be solved by the adoption of a similar regulation requiring recipients to counter sign each coupon at the time of surrender for goods purchased in the presence of a responsible employee, of the establishment where food is purchased with such coupons, and such employee should initial such stamps as being signed in his or her presence.

This should be no more work for the local store than someone cashing a personal check, and there should be no additional administrative cost to the local or Federal Government. If properly enforced, such a requirement would help to prevent the black market and related abuses which appear to exist. It would make lost or stolen coupons more difficult to use and would aid in prosecution since forgery would be involved and appropriate penalties could be established for use or acceptance without following in full the regulations.

Therefore, the conferees strongly recommend that the Department adopt some such regulation to provide added protection for both the legitimate recipient and the Federal Government. The Department is also requested to consult with the appropriate committees of the Congress on this proposal and other means of tightening-up the administra-

tion of the program so as to preserve it for those who have a real need for such assistance.

These and other suggested changes must be made in the regulations immediately if the program is to be prepared for the legitimate recipient. The committee has earmarked \$100,000 of the fiscal year 1976 appropriation for the specific purpose of revising program regulations so as to minimize existing misuse and unwarranted expenditures. The Department has indicated its willingness to try to bring the abuses in this program under control. The Department can and should immediately start to revise their procedures to bring them in line with the law. Since approximately 3 months remain before these funds are needed the Department should have in full force and effect such changes and revisions as are necessary on or before February 1, 1976. In view of this, the \$1,750,000,000 recommended by the committee, together with carryover funds, should provide for the program level contemplated by the Congress for fiscal year 1976. Available also is the \$3,453,000,000 appropriated by Public Law 94-122 for the period June 30, 1975, to January 30, 1976, and approximately \$586,000,000 in unobligated funds carried over from fiscal year 1975. Testimony before the committee revealed that the administration's request was overstated due to the recent decline in program participation, because of improvements in the economic condition of the country as well as the availability of carryover 1975 funds which were not anticipated at the time the request was prepared. Therefore, we are able to recommend a reduction in the fiscal year 1976 request of \$1,387,095,000.

With the new regulations, the \$1,039,117,000 previously appropriated for the transition period, plus carryover funds, should be adequate. Therefore, we do not recommend the appropriation of any additional funds for the transition period at this time. Should a need develop, the matter could be dealt with in subsequent appropriation bills.

In conclusion, I want to repeat again that we did not change the law. We did not write our recommendations in the law. In the absence of the suggestion by the Department we suggest this as a measure to bring this program under control.

Mr. FINDLEY. Mr. Chairman, will the gentleman yield?

Mr. WHITTEN. I yield to the gentleman from Illinois.

Mr. FINDLEY. Mr. Chairman, the gentleman has cited the provisions of the Food Stamp Act, reading from the committee report, as some encouragement to us that things may be different in the future. In other words, the gentleman is calling upon the executive branch to be more vigilant in enforcing the terms set out in the basic act.

Mr. WHITTEN. That is correct and the first step toward that would be to change the regulations.

Mr. FINDLEY. We would about have to change the law. How can we get the administration to change the regulations, when it has seen fit, over a number of

years to give or to effect the present set of regulations? There is a directive to them.

Mr. WHITTEN. In the first place, let me say that Mr. Heckman, who is the Director of the Food and Nutrition Service, agreed in our hearings to carry out the suggestion that we made.

Also, I do not know if we can pass a law making the executive do what the law already requires; but we can point out what the law requires. I have not heard anybody on the floor say they realized what the law requires. It is the responsibility of the Secretary of Agriculture to correct these problems by changing the regulations.

When I faced the Department with the law during the hearings, they acknowledged that they had the authority under the law to clean up the program. If we passed all the laws in the world, I do not know that we could make them enforce them. However, we have had an assurance by the Director that he will carry out the intent of the committee.

Mr. FINDLEY. One possibility would be to provide by law, or by limitation on this appropriation bill, that only households that meet the standards or fall below the poverty level standard as determined by OMB would qualify. That would be, it seems to me, a very clear and straightforward and prudent and compassionate way to bring this under control.

Mr. WHITTEN. The gentleman is kind enough to call my attention to a proposed amendment along this line where a fixed annual income level cutoff is provided. But I would point out to the gentleman that as a result of our hearings and our actions on this bill we have saved \$2,175,978,000. My immediate reaction is that the amendment looks fine and it might be fine.

However, the amendment could jeopardize the savings we have made by delaying the implementation of the changes we suggested to the Department.

I would hope the gentleman will read the law again. The law is much tighter than I had realized.

It reads as follows:

Participation in the Food Stamp Program shall be limited to those households whose income and total financial resources are determined to be substantial limiting factors in permitting them to purchase a nutritionally adequate diet.

The level set by the amendment might be much higher than would be permitted under the existing law.

Mr. FINDLEY. The advantage of the proposal I have made is that the poverty level is a precise number of dollars as determined periodically by OMB.

Mr. WHITTEN. I just read the law to the gentleman from Illinois. That is the law. There is nothing in there that says that to be eligible one must be poverty stricken. It says that one's financial situation must be such as to endanger one's ability to have a nutritionally adequate diet. It does not say anything about poverty levels that might be created either by HEW, the Department of Labor, or the gentleman from Illinois.

Mr. FINDLEY. The simple fact is, that

B



## CHAPTER I

### SUBCOMMITTEE ON AGRICULTURE AND RELATED AGENCIES

JAMIE L. WHITEN, Mississippi, *Chairman*

GEORGE E. SHIPLEY, Illinois	MARK ANDREWS, North Dakota
FRANK E. EVANS, Colorado	J. KENNETH ROBINSON, Virginia
BILL D. BURLISON, Missouri	JOHN T. MYERS, Indiana
MAX BAUCUS, Montana	
OTTO E. PASSMAN, Louisiana	
WILLIAM H. NATCHER, Kentucky	
BOB CASEY, Texas	

### DEPARTMENT OF AGRICULTURE

#### SOIL CONSERVATION SERVICE

##### WATERSHED AND FLOOD PREVENTION OPERATIONS

The Committee recommends supplemental appropriation of \$21,702,000 for emergency assistance to repair damage to watersheds as a result of major storms which have occurred during 1975 as provided by section 216 of the Flood Control Act of 1950, which were not covered in the regular appropriations act (Public Law 94-132).

The following amounts are recommended by state to cover the unfunded requests:

Alabama -----	\$748,000	Oregon -----	558,000
Arkansas -----	67,000	Pennsylvania -----	3,000,000
Connecticut -----	907,000	Tennessee -----	2,430,000
Kentucky -----	239,000	Wisconsin -----	1,159,000
Montana -----	7,763,000		
New Mexico -----	104,000	Total -----	21,702,000
New York -----	4,621,000		

#### FOOD AND NUTRITION SERVICE

In recommending an additional appropriation for the food stamp program for that part of fiscal year 1976 from February until June 30, 1976 of \$1,750,000,000, the Committee has made \$100,000 of such funds available only to revise regulations as authorized by existing law. This should put an end to many existing violations. In this connection the committee takes note of section 5(a) of the Food Stamp Act which authorizes the Secretary of Agriculture to establish eligibility standards and specifically provides:

\* \* \* participation in the food stamp program shall be limited to those households whose income and other financial resources are determined to be substantial limiting factors in permitting them to purchase a nutritionally adequate diet.

Section 10(e) provides that the Secretary must approve State plans and specifies:

The State agency of each State desiring to participate in the food stamp program shall submit for approval a plan of operation specifying the manner in which such program will be conducted within the State \* \* \*

and section 10(f) authorizes the Secretary to withhold funds:

If the Secretary determines that in the administration of the program there is a failure by a State agency to comply substantially 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 reasonable period of time for the correction of such failure. Upon the expiration of such period, the Secretary shall 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.

Section 11 authorizes the disqualification of retail stores and wholesale concerns under the following conditions:

Any approved retail food store or wholesale food concern may be disqualified from further participation in the food stamp program on a finding, made as specified in the regulations that such store or concern has violated any of the provisions of this Act, or the regulations issued pursuant to this Act. Such disqualification shall be for such period of time as may be determined in accordance with regulations issued pursuant to this Act. The action of disqualification shall be subject to review as provided in section 13 of this Act.

In addition, other sections of the Food Stamp Act, as amended, deal with the authority of the Secretary to establish terms and conditions for participation in the program.

Therefore, it would seem apparent that most of the abuses of the program, which have been so widely reported, are subject to action by the Department. Some officials estimate that close to 1 out of every 5 food stamp dollars are used improperly. Improper issuance, lax regulations, fraud, blackmarketing, and loose eligibility standards may be costing \$1 billion per year.

For example, testimony before the Committee revealed that under existing regulations an individual could own a \$100,000 home and a new luxury automobile, but as long as he was unemployed and had less than \$1,500 in the bank he could get food stamps; two airline pilots with income in the \$50,000 per year bracket drew food stamps during an airline strike; and it was reported that in some States a food stamp caseworker must complete as many as a dozen different forms in order to certify an applicant eligible under existing regulation. These and similar cases could be prevented by a change in regulations.

It has also been reported that food stamps are widely used to purchase liquor, cigarettes, hard drugs, or make installment payments on

television sets and other major items. *This would be greatly reduced through the countersigning procedure.*

With regard to the complaints of issuance of food stamps to students contrary to the intent of the act, the Committee calls attention to the following provision contained in the Appropriation Act for fiscal year 1976:

*Provided further.* That no part of the funds appropriated by this Act shall be used during the fiscal year ending June 30, 1976 to make food stamps available to any household, to the extent that the entitlement otherwise available to such household is attributable to an individual who: (i) has reached his eighteenth birthday; (ii) is enrolled in an institution of higher education; and (iii) is properly claimed as a dependent child for Federal income tax purposes by a taxpayer who is not a member of an eligible household.

In this case all that is needed is for the Department and others to enforce the law.

It becomes evident that at least a billion dollars a year could be saved if the Department would change the regulations and enforce them. For the purpose of enforcement, the Committee authorized for the fiscal year the transfer of an additional \$6,094,000 to the Inspector General. This is in addition to other enforcement activities.

The Committee repeats below the language which it recommended in the Conference Report (94-528) on the fiscal year 1976 bill which appropriated funds for the food stamp program for the first seven months of fiscal year 1976 and for the transition period.

#### FOOD STAMP PROGRAM

The conferees are extremely concerned about the increasing reports of widespread irregularities and abuses in the Food Stamp Program, resulting in greatly increased costs. Unless this situation is corrected it could jeopardize the program. This cannot be allowed to happen since food assistance to the truly needy is an accepted responsibility. Numerous suggestions have been made in years past in an effort to more properly supervise handling of the program.

Under current regulations of the Department of Agriculture, the recipient, upon receipt of the coupons, must sign his name on the inside cover of the coupon book. Such a procedure aids in the recovery of lost or stolen coupons, and the Department should do everything possible to see that this regulation is faithfully complied with at the local welfare or other issuing offices.

This regulation does not protect the program, however, from various abuses such as black marketing, theft, and other improper uses. The conferees are of the opinion that many of these problems could be solved by the adoption of a similar regulation requiring recipients to countersign each coupon at the time of surrender for goods purchased in the presence of a

responsible employee, of the establishment where food is purchased with such coupons, and such employee should initial such stamps as being signed in his or her presence.

This should be no more work for the local store than someone cashing a personal check, and there should be no additional administrative cost to the local or Federal governments. If properly enforced, such a requirement would help to prevent the black market and related abuses which appear to exist. It would make lost or stolen coupons more difficult to use and would aid in prosecution since forgery would be involved and appropriate penalties could be established for use or acceptance without following in full the regulations.

Therefore, the conferees strongly recommend that the Department adopt some such regulation to provide added protection for both the legitimate recipient and the Federal Government. The Department is also requested to consult with the appropriate Committees of the Congress on this proposal and other means of tightening-up the administration of the program so as to preserve it for those who have a real need for such assistance.

These and other suggested changes must be made in the regulations immediately if the program is to be preserved for the legitimate recipient. The Committee has earmarked \$100,000 of the fiscal year 1976 appropriation for the specific purpose of revising program regulations so as to minimize existing misuse and unwarranted expenditures. The Department has indicated its willingness to try to bring the abuses in this program under control. The Department can and should immediately start to revise their procedures to bring them in line with the law. Since approximately three months remain before these funds are needed the Department should have in full force and effect such changes and revisions as are necessary on or before February 1, 1976. In view of this, the \$1,750,000,000 recommended by the Committee, together with carryover funds, should provide for the program level contemplated by the Congress for fiscal year 1976. Available also is the \$3,453,000,000 appropriated by Public Law 94-122 for the period June 30, 1975 to January 30, 1976, and approximately \$586,000,000 in unobligated funds carried over from fiscal year 1975. Testimony before the Committee revealed that the Administration's request was overstated due to the recent decline in program participation, because of improvements in the economic condition of the Country as well as the availability of carryover 1975 funds which were not anticipated at the time the request was prepared. Therefore, the Committee is able to recommend a reduction in the fiscal year 1976 request of \$1,387,095,000.

With the new regulations, the \$1,039,117,000 previously appropriated for the transition period, plus carryover funds, should be adequate. Therefore, the Committee does not recommend the appropriation of any additional funds for the transition period at this time. Should a need develop, the matter could be dealt with in subsequent appropriation bills.



National Food Stamp Reform Act of 1975

<u>Major Components</u>	<u>Possible by Regulations</u>	<u>Comments</u>
1. Replace all itemized deductions with a \$100 standard deduction, and an extra \$25 deduction for households including an elderly person.	yes	All major proposals delete itemized deductions. Three major proposals provide standard deductions, and some leave deduction of payroll withholding as a work incentive.
2. Raise purchase requirement to 30% of net income after deductions.	yes	All major proposals raise benefit reduction rate to 30%.
3. Remove guarantee that bonus benefits will not fall below stated amounts (minimum bonus) for all except one-person households, which has the same effect as removing categorical eligibility.	yes	All major proposals move toward the removal of minimum bonus. All major proposals eliminate categorical eligibility.
4. Provide three-month retrospective accounting instead of one-month prospective.	yes	
5. Limit eligibility to families with net income after deductions at or below the poverty level.	yes	
6. Tighten the assets test.	yes	Legislation not requested for this action--will be done administratively.
7. Determine the allotment by the Thrifty Food Plan.	yes	

<u>Minor Components</u>	<u>Possible by Regulations</u>	<u>Comments</u>
<u>1. Work Requirements</u>		
. Lower work registration age to 60	No	Currently mandated by law
. Mothers with children above 5 yrs	"	" " "
. Addicts and alcoholics	"	" " "
. College students	"	" " "
<u>2. Tightened Administration vs. Recipients</u>		
. Require photo I.D.	Yes	Current law contains no prohibition
. Require counter-signature on individual coupons.	Yes	" " "
. Delete household eligibility - "economic unit"	No	Currently mandated by law
. Delete narcotic addicts of alcoholics in residential institutions	No	" " "
. Lump-sum retroactive benefits	No	Currently prohibited by law
. Tax dependency	Yes	Currently in law but only in appropriation language.
. Prohibit alien eligibility	No	Requires specific leg. auth.

<u>Minor Components</u>	<u>Possible by Regulations</u>	<u>Comments</u>
. Provision of recipient information	No	Requires specific leg. auth.
. Establish minimum age	No	" " "
. Property transfer	No	" " "
. Delete in-kind housing	No	Currently mandated by law
. Eliminate variable purchase	No	" " "
. Verification of earnings	No	No authority in current law
. Recipient claims	Yes	Clarification of responsibility
3. <u>Changed Federal and State Administration</u>		
. Dual commodity distribution (bar simultaneous receipt)	No	Currently mandated by law
. Mechanical disaster	No	" " "
. Optional public assistance withholding	No	" " "
. State agency accountability	Yes	" " "
. Outreach	Yes	Currently in law
. Civil money penalties	No	No authority in current law
. Lower misdemeanor penalty	No	Requires clarification of legislative authority
. Payments for state administrative costs	Yes	Currently in law



## Plan for Phased Administrative Reform

### Tentative Plan

There would be five phases, each designed to combine limiting and liberalizing provisions. Regulations would be published at one-month intervals, beginning in January, with the period for comment set at 30 days or more. Final regulations should allow approximately two months for State and local implementation. Modifications to this initial plan would reflect public comments, legislative action, and new data.

#### Phase I - Major Benefit Reforms

- Replace all itemized deductions with a \$100 standard deduction and an extra \$25 deduction for households including an elderly person.
- Raise the purchase requirement to 30% of net income after deductions.
- Remove the guarantee that bonus benefits will not fall below stated amounts (minimum bonus) for all except one-person households, which has the same effect as removing categorical eligibility.

These changes would greatly simplify eligibility and benefit calculations, thereby reducing State administrative errors and limiting eligibility of nonpoor. Each of these changes was proposed in your National Food Stamp Reform Act. See Tab 1 for a comparison of the provisions with other major bills. Approximately 2 million households would gain benefits and 2 1/2 million lose some or all benefits.

Estimated net savings: If States implement the changes by March 30, \$300 million in FY 1976 and the TQ, \$600 million in FY 1977.

#### Phase II - Limiting Eligibility and Work Incentives

- Limit eligibility to families with net income after deductions at or below the poverty level.
- Possibly allow the working poor to deduct mandatory payroll withholding of Federal income tax and FICA contributions.

This would further limit benefits to the needy and could strengthen work-incentives by treating working and non-working families comparably with respect to effective income. Separate estimates of impacts are not available. Estimated net savings: none.

Phase III - Tighten the Assets Test

- Tighten the present assets test consistent with other programs such as SSI.

This would further tighten access to the program by eliminating applicants with multiple cars, expensive homes and substantial personal property (e.g., boats, recreation vehicles). Data to estimate impacts or savings is not available.

Phase IV - Count Actual Prior Income

- In lieu of estimating future income base eligibility on actual income over a three-month period.

This would streamline present cumbersome, inaccurate and fraud-prone methods of calculating income. HEW estimates approximately 1/2 million households would lose some benefits. Estimated net savings: If the tates implement the changes by June 30, \$100 million in TQ; \$500 million in FY 1977.

Phase V - Other Components of Administrative Reform

- Require photo I.D. and countersignature on individual coupons.
- Tighten administration in five additional ways by regulation.

This would complete the administrative implementation of the provisions of your National Food Stamp Reform Act of 1975. Other minor simplification provisions in your bill require legislation (e.g. civil penalties, diminution of special treatment for alcoholic, addicts, and students). Savings associated with these changes are not believed to be significant.

E

W. F.



Public Law 94-4  
94th Congress, H. R. 1589  
February 20, 1975

## An Act

To suspend increases in the costs of coupons to food stamp recipients as a result of recent administrative actions.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That, notwithstanding the provisions of section 7(b) of the Food Stamp Act of 1964 (7 U.S.C. 2016(b)), the charge imposed on any household for a coupon allotment under such Act after the date of enactment of this Act and prior to December 30, 1975, may not exceed the charge that would have been imposed on such household for such coupon allotment under rules and regulations promulgated under such Act and in effect on January 1, 1975.

Food stamp  
coupons.  
Cost increase,  
suspension.  
7 USC 2016  
note.

[Note by the Office of the Federal Register.—The foregoing Act, having been presented to the President of the United States on Friday, February 7, 1975, for his approval and not having been returned by him to the House of Congress in which it originated within the time prescribed by the Constitution of the United States, has become a law without his approval on February 20, 1975.]

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### LEGISLATIVE HISTORY:

HOUSE REPORT No. 94-2 (Comm. on Agriculture).

CONGRESSIONAL RECORD, Vol. 121 (1975):

Feb. 4, considered and passed House.

Feb. 5, considered and passed Senate, in lieu of S. 35.

WEEKLY COMPILATION OF PRESIDENTIAL DOCUMENTS, Vol. 11, No. 7:

Feb. 13, Presidential statement.