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*Feb 12, 1975*

*BECAME LAW  
WITHOUT SIGNATURE  
(EFF. MIDNIGHT 2/19/75)*

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

FEB 13 1975

*P. Jimmy Jones*

*STATEMENT  
ISSUED  
2/13/75*

*To Archives  
2/20*

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 1589 - Suspension of new food stamp regulations  
Sponsor - Rep. Bergland (D) Minnesota and 4 others

Last Day for Action

Wednesday, February 19, 1975. However, announcement now of your decision would avoid severe disruption to State welfare agencies.

Purpose

Suspends until December 30, 1975, any increases in the charge imposed on any household for its food coupon allotment under the food stamp program.

Agency Recommendations

Office of Management and Budget

Approve or allow to become law without signature (Statement attached)

Department of Agriculture

Allow to become law without signature (Statement attached)

Department of Health, Education, and Welfare  
Department of the Treasury

Disapproval  
Would concur in disapproval recommendation

Council of Economic Advisers

Approval (with indication of displeasure)

Council on Wage and Price Stability

Defers to Agriculture and HEW



## Discussion

Your 1976 Budget contains a proposal to increase the percentage of net income that food stamp recipients would be required to pay for their stamps to a uniform 30 percent. This action was to be accomplished by regulations which would be implemented on March 1, 1975.

This proposal had previously been made in your November 26, 1974 Budget Restraint Message, following the recommendation of Secretary Butz on October 2 in response to a government-wide call for budget savings. It was based on the factors outlined in Attachment A.

Briefly, the rationale for the recommendation was basically twofold:

-- to provide greater equity among program participants by requiring all households to pay the same percentage of net income for their food stamps, and a more equitable sharing of the costs of inflation between the participants and the general taxpayers.

-- to contribute to your objective of slowing the growth in the rate of Federal expenditures; this proposal would reduce Federal outlays by \$215 million in fiscal year 1975 and by \$650 million in fiscal year 1976.

H.R. 1589 would prohibit any increase in the charge to any household for food stamp coupons until December 30, 1975. The bill passed the House by a vote of 374-38 and the Senate by a vote of 76-8.

At the same time, the Senate also unanimously passed S. Res. 58 (sponsored by Senator Dole). That resolution directs Agriculture to submit legislative recommendations by June 30, 1975 designed to eliminate abuses in the food stamp program and improve the administrative relationship of this program to other welfare programs. During House debate on the bill, Chairman Foley of the Agriculture Committee pledged to undertake "a very broad review of the food stamp program" this year.

Various other proposed food stamp reforms are currently being developed by the Department of Agriculture--principally standardizing the deduction to achieve a more equitable



method of calculating net income on which the benefit is based. This proposal has not been developed and will probably not be available until May 1. It will probably not result in any significant benefit savings in 1976, but may save some administrative costs. Savings below anticipated program growth in later years could be substantial.

### Options for action on the enrolled bill

#### Veto the bill

- A veto would maintain a strong position in support of all your budget decisions to achieve savings.
- The maximum reduction in free food stamps for the worst case situations (small, low-income families) is \$15 a month. This impact has been exaggerated and could be defended, since these beneficiaries receive other welfare benefits.
- A veto could be accomplished by a statement which would:
  - (a) order a withdrawal of the pending regulations;
  - (b) indicate that the Administration will continue to work to develop measures to improve the program through administrative action or legislative recommendations as called for in S. Res. 58; and
  - (c) urge the Congress to accept the veto and avoid freezing the inequities in the current program into law for another year.

#### Sign the bill

- The need to cushion the poor from the impact of rising costs has increased as economic conditions, including unemployment, have worsened.
- A veto could probably not be sustained, based on the House and Senate votes.



- A strong veto override vote would strengthen the image of this Congress as "veto-proof."
- Signature could be accompanied by a statement that:
  - (a) the food stamp program reform you proposed was reasonable and should not have been banned by the Congress;
  - (b) it is clear that it is the will of the Congress to void this reform proposal, and you intend to execute the law as enacted.
  - (c) the Administration will continue to work to develop measures to improve the program through legislative recommendations as called for in S. Res. 58; and
  - (d) you are deeply disappointed that the Congress, in rejecting this reform, which would have saved \$650 million a year, has failed to propose a single constructive alternative reduction in this or other domestic programs to help limit the massive budget deficit necessary to return the economy to active growth.

Let the bill become law without your signature

- This option recognizes the futility of attempting a veto in the face of the congressional votes, but indicates at the same time that you will not join in irresponsible fiscal actions by the Congress.
- Allowing the bill to become law without signing it avoids the problems involved in an overwhelming override of a veto.
- A statement could be issued emphasizing your continued support of the proposed regulation or equivalent Federal spending restraint, as well as your overall budget reduction recommendations.



In considering this option, you should be aware that over the past fifty years or more, Presidents have allowed very few bills to become law without their signature--only nine bills since 1950, of which four were public laws and five private laws. The public bills are described briefly in Attachment B.

### Recommendations

Agriculture recommends that the bill become law without Presidential signature. The Department further urges that you publicly announce your intention immediately, to avoid extreme disruption for State welfare agencies. In the next few days, the State agencies will be issuing authorization-to-purchase cards to food stamp recipients for March. Announcement of the decision will avoid delay in issuing March purchase authorizations and will save administrative costs and delays resulting from the need to reprogram State computers.

Health, Education, and Welfare recommends that the enrolled bill be vetoed. In his views letter, the Secretary states:

"The Department of Agriculture proposal is one part of the Administration's initiative for reducing the cost to the federal government of the whole range of income security programs. The large majority of the other elements of that initiative involve programs administered by this Department....

"If we are to enjoy any success in advancing the proposals that make up this initiative before the Congress and the public generally, it is important that our resolve in pursuing the objective at which these proposals are aimed be unmistakably clear. I believe that failure to veto H.R. 1589 would be viewed by many members of Congress and others outside the Administration as casting substantial doubt on the seriousness of that resolve. As a result, the prospects for our entire cost reduction initiative in the income security area would be adversely affected. I therefore strongly urge that the President veto the enrolled bill."

Treasury would concur in a recommendation that the enrolled enactment not be approved.



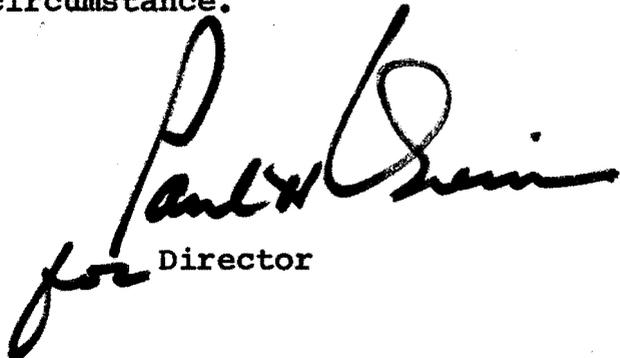
Council of Economic Advisers recommends that you sign the bill but indicate your displeasure. CEA believes that the proposed Agriculture regulations "are inconsistent with our overall policy of providing a more flexible welfare program" and "for many low income families...may provide a substantial new financial drain and place additional pressures on other welfare programs." The Council concludes that greater equity and reduced Federal expenditures could be achieved by simplifying and rationalizing the definition of income in the food stamp program and "cashing out" the Federal subsidy.

Council on Wage and Price Stability defers to Agriculture and HEW, but urges that the Administration continue its efforts to develop a negative income tax program as the proper basis for income maintenance, to be introduced as soon as circumstances permit.

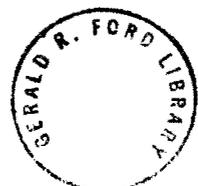
\* \* \* \* \*

We do not believe that you should veto H.R. 1589, because it seems clear that a veto could not be sustained in the Congress and would therefore serve no useful purpose.

We recommend that you sign the bill or allow it to become law without your signature. With minor modifications, depending on which course you select, the attached draft statement could be used under either circumstance.

  
for Director

Enclosures



INCREASED PURCHASE PRICE FOR FOOD STAMPS

The decision to include as part of the general effort to slow the rate of growth in Federal spending a uniform charge of 30% of net income for food stamps was based on the following factors:

- The uniform charge of 30% of net income is equivalent to 16% of total income on the average, taking into account income deducted (for medical costs over \$10 a month, excess shelter costs, tuition and education fees, work expenses including child care, financial losses, training), and other benefits such as food stamp bonus and housing and medicaid payments.
- The amount of the increase in the bonus (net benefit) paid to food stamp recipients is running well ahead of actual increases in food prices. In the past two years, the bonus has gone up 44% while food prices have risen 36% (price of food at home).
- The increase in the bonus has been almost completely absorbed by increases in Federal payments -- since the purchase requirement has stayed about constant. The increase in the purchase requirement provides for a more equitable sharing between program participants and the general taxpayers of the cost of inflation.
- Under regulations now in effect, the percentage of net income that participants pay has varied from almost 30% for large sized households to 5% for smaller households with the same income.
- Food stamps will continue to be completely free for all one- and two-person households with a net monthly income of less than \$20 a month and for all other households with a net income less than \$30 a month.
- This action would reduce Federal outlays by \$215 million in fiscal year 1975 and \$650 million in fiscal year 1976.

In addition, the 1976 Budget proposes legislation to limit increases in food stamp benefits (now linked to cost-of-living indicators) to 5% through June 30, 1976. If the increased purchase requirement is prohibited, the associated savings will be lost. However, the temporary 5% limit would save about \$350 million in 1976 from the higher totals.



Attachment B

BILLS WHICH BECAME PUBLIC LAWS WITHOUT  
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1950-1974

- S. 2681           An act to authorize the attendance of the United States Marine Band at a celebration commemorating the 175th anniversary of the Battle of Lexington, to be held at Lexington, Mass., April 16 through 19, inclusive, 1950. (Became Public Law 81-450 without approval February 26, 1950)
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Office of Management and Budget	Approve or allow to become law without signature (Statement attached)
Department of Agriculture	Allow to become law without signature (Statement attached)
Department of Health, Education, and Welfare	Disapproval
Department of the Treasury	Would concur in disapproval recommendation
Council of Economic Advisers	Approval (with indication of displeasure)
Council on Wage and Price Stability	Defers to Agriculture and HEW



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STATEMENT BY THE PRESIDENT

[I have today signed into law]

[I am announcing today that I will allow to become law without my signature] H.R. 1589 which effectively prohibits for a full year meaningful reform of the food stamp program through administrative action. The Congress passed this bill by large majorities in both houses to block a reform which I proposed.

That reform was reasonable and should not have been banned by the Congress. It would have required people who receive food stamps to share with the general taxpayer the cost of recent real increases in benefits by paying, on the average, 16% of their total income for food before becoming eligible for free stamps.

The proposed increase in the purchase price of food stamps was greatly exaggerated by those who opposed this reform by citing percentage increases and by not counting allowable deductions for medical, excess housing, child care and work expenses and by not counting as a part of income other Federal benefits such as public housing and free food stamps.

In fact, the maximum reduction in free food stamps in the most heavily affected households would have been \$15 a month.

This reform would have saved the taxpayers \$215 million this year and \$650 million a year thereafter.

When I first addressed the Congress as President, I said I hoped for a good marriage between the executive and legislative branches. So far there has been good effort on the part of both parties and good progress.

In any good marriage, neither side gets its way all the time. However, each has the duty not to reject constructive proposals without offering constructive alternatives to achieve the common goal. In this case that goal is the public interest in limiting spending to the amount absolutely necessary to restore and assure active economic growth, continue assistance



to the needy and provide for the defense of the country.

On the program reform which this bill prohibits, we disagree. I can understand that, and I will implement the clear will of the Congress [while working to develop legislative recommendations to improve the program.] However, I cannot understand the failure of the Congress to propose a single constructive alternative reform or to reduce spending for this or any other domestic program.

The Congress and the President share the responsibility to find ways to limit the spending of taxpayers money to levels no greater than necessary to meet our needs. So far, all major proposals for restraining spending for domestic programs have been initiated by the Executive branch.

If this Congress simply rejects these proposals without coming forward with good and timely alternatives, an unthinkable deficit will result and there will be no mistaking where the responsibility lies.



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The decision to include as part of the general effort to slow the rate of growth in Federal spending a uniform charge of 30% of net income for food stamps was based on the following factors:

- The uniform charge of 30% of net income is equivalent to 16% of total income on the average, taking into account income deducted (for medical costs over \$10 a month, excess shelter costs, tuition and education fees, work expenses including child care, financial losses, training), and other benefits such as food stamp bonus and housing and medicaid payments.
- The amount of the increase in the bonus (net benefit) paid to food stamp recipients is running well ahead of actual increases in food prices. In the past two years, the bonus has gone up 44% while food prices have risen 36% (price of food at home).
- The increase in the bonus has been almost completely absorbed by increases in Federal payments -- since the purchase requirement has stayed about constant. The increase in the purchase requirement provides for a more equitable sharing between program participants and the general taxpayers of the cost of inflation.
- Under regulations now in effect, the percentage of net income that participants pay has varied from almost 30% for large sized households to 5% for smaller households with the same income.
- Food stamps will continue to be completely free for all one- and two-person households with a net monthly income of less than \$20 a month and for all other households with a net income less than \$30 a month.
- This action would reduce Federal outlays by \$215 million in fiscal year 1975 and \$650 million in fiscal year 1976.

In addition, the 1976 Budget proposes legislation to limit increases in food stamp benefits (now linked to cost-of-living indicators) to 5% through June 30, 1976. If the increased purchase requirement is prohibited, the associated savings will be lost. However, the temporary 5% limit would save about \$350 million in 1976 from the higher totals.



Attachment B

**BILLS WHICH BECAME PUBLIC LAWS WITHOUT  
THE APPROVAL OF THE PRESIDENT  
1950-1974**

- S. 2681      An act to authorize the attendance of the United States Marine Band at a celebration commemorating the 175th anniversary of the Battle of Lexington, to be held at Lexington, Mass., April 16 through 19, inclusive, 1950. (Became Public Law 81-450 without approval February 26, 1950)
- H.R. 5554      An act to make permanent the special milk program for children. (Became Public Law 91-295 without approval June 30, 1970)
- H.R. 17795      An act to amend Title VII of the Housing and Urban Development Act of 1965, to provide an authorization for appropriations of \$1 billion for grants for basic water and sewer facilities. (Became Public Law 91-431 without approval October 6, 1970)
- S. 2641      An act to confer jurisdiction upon the court of the United States of certain civil actions brought by the Senate Select Committee on Presidential Campaign Activities, and for other purposes. (Became Public Law 93-199 without approval December 18, 1973)



STATEMENT BY THE PRESIDENT

[I have today signed into law]

[I am announcing today that I will allow to become law without my signature] H.R. 1589 which effectively prohibits for a full year meaningful reform of the food stamp program through administrative action. The Congress passed this bill by large majorities in both houses to block a reform which I proposed.

That reform was reasonable and should not have been banned by the Congress. It would have required people who receive food stamps to share with the general taxpayer the cost of recent real increases in benefits by paying, on the average, 16% of their total income for food before becoming eligible for free stamps.

The proposed increase in the purchase price of food stamps was greatly exaggerated by those who opposed this reform by citing percentage increases and by not counting allowable deductions for medical, excess housing, child care and work expenses and by not counting as a part of income other Federal benefits such as public housing and free food stamps.

In fact, the maximum reduction in free food stamps in the most heavily affected households would have been \$15 a month.

This reform would have saved the taxpayers \$215 million this year and \$650 million a year thereafter.

When I first addressed the Congress as President, I said I hoped for a good marriage between the executive and legislative branches. So far there has been good effort on the part of both parties and good progress.

In any good marriage, neither side gets its way all the time. However, each has the duty not to reject constructive proposals without offering constructive alternatives to achieve the common goal. In this case that goal is the public interest in limiting spending to the amount absolutely necessary to restore and assure active economic growth, continue assistance



to the needy and provide for the defense of the country.

On the program reform which this bill prohibits, we disagree. I can understand that, and I will implement the clear will of the Congress [while working to develop legislative recommendations to improve the program.] However, I cannot understand the failure of the Congress to propose a single constructive alternative reform or to reduce spending for this or any other domestic program.

The Congress and the President share the responsibility to find ways to limit the spending of taxpayers money to levels no greater than necessary to meet our needs. So far, all major proposals for restraining spending for domestic programs have been initiated by the Executive branch.

If this Congress simply rejects these proposals without coming forward with good and timely alternatives, an unthinkable deficit will result and there will be no mistaking where the responsibility lies.





DEPARTMENT OF AGRICULTURE

OFFICE OF THE SECRETARY

WASHINGTON, D. C. 20250

February 7, 1975

Honorable James T. Lynn, Director  
Office of Management and Budget  
Washington, D. C. 20503

Dear Mr. Lynn:

This is in reply to your request for a report on the enrolled enactment of H. R. 1589, a bill to amend the Food Stamp Act of 1964.

The Department recommends that the President take no action on this bill, which after ten days will become law. We further urge that the President publicly announce his intention immediately.

H. R. 1589 would freeze the current amounts that households are required to pay for their allotment of food coupons (commonly referred to as the purchase requirement) for the remainder of 1975, thereby prohibiting the Department from implementing on March 1, 1975, the requirement that each participating household pay 30 percent of its adjusted net monthly income for its food coupon allotment. But in freezing the current purchase requirements the bill permits the Department to increase purchase requirements in the very upper monthly net income brackets when coupon allotments are adjusted on July 1, 1975.

We recommend that the President allow H. R. 1589 to become law and that he express his intention immediately primarily because a veto and a delay in further congressional action, because of the recess by the House of Representatives, would be extremely disruptive to State welfare agencies. A ten-day delay would have a similar impact. Within the next few days these agencies will be issuing authorization-to-purchase cards to food stamp recipients for the month of March. Many have the data on computers and recomputing the benefits is a time-consuming job that might very well delay the issuance of food stamps in March in a number of States. In addition reprogramming the computers is a very costly administrative expense, and the Department must pay for one-half of such State costs.

Sincerely,

*Earl L. Butz*



The Congress has enacted H.R. 1589, and sent it to me for my approval. This is a bad bill, for several reasons:

- It will prohibit, for the balance of this calendar year, the implementation of a Department of Agriculture regulation which adjusts the amount that food stamp recipients pay for their stamps to a uniform 30 percent of their adjusted net income.
- It freezes the amount that recipients pay at current levels, while the Federal Government must pay for the cost-of-living increases in the coupon allotment.
- It prevents the Federal Government from correcting present inequities in the amounts that participants pay for their stamps. These range from zero (free stamps) to the statutory maximum of 30 percent of adjusted net monthly income.
- The legislation arbitrarily and unnecessarily ties the hands of the Executive Branch, making it difficult if not impossible to control the costs of the Food Stamp Program.
- Under this bill, Federal costs would be increased by approximately \$215 million in this fiscal year, and by \$650 million during next fiscal year (fiscal year 1976).

But, as unfortunate as this legislative injunction is, the difficulties would be even more unpalatable if I were to veto the bill--particularly with the House of Representatives in recess.



I have, therefore, come to the conclusion that I cannot approve this measure without jeopardizing the best long-term interests of the Nation, and I cannot disapprove the measure without protracting the present uncertainty that exists among food stamp administrators and participants.

By invoking in this case, that provision of the Constitution which allows a Congressional action to become law without my signature upon the expiration of a ten-day period, I realize that the normal operations of the Food Stamp Program could be severely disrupted. I fully understand that the States and territories must know my intentions immediately so that those Americans who are recipients of Food Stamps will pay only the proper amount for the month of March.

It is my judgment that the requirement for an orderly and effectively-managed program necessitates this somewhat unusual notification to the States: for the reasons stated, I cannot sign this legislation into law, but I will forego the Constitutional disapproval procedure, so that the States may immediately plan accordingly.

In a separate action, through the sponsorship of Senators Dole and Curtis, the Senate passed a Resolution directing that a full review of the operation of the Food Stamp Program be conducted. I welcome this action and promise the full cooperation of the Executive Branch in carrying out a comprehensive review of this important program.





DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

FEB 11 1975

Honorable James T. Lynn  
Director, Office of Management  
and Budget  
Washington, D. C. 20503

Dear Mr. Lynn:

This is in response to Mr. Hyde's request of February 6, 1975, for a report on H.R. 1589, an enrolled bill, "To suspend increases in the costs of coupons to food stamp recipients as a result of recent administrative actions."

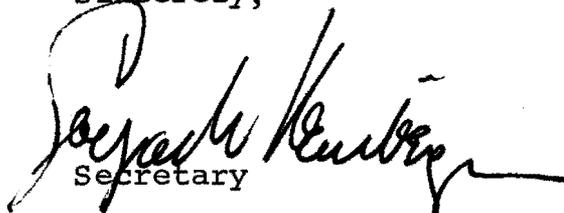
The bill would provide that during the period between the date of its enactment and December 30, 1975, no food stamp purchase requirements could be imposed under the Food Stamp Act in excess of the purchase requirements imposed under the regulations in effect on January 1 of this year. The bill would therefore prohibit implementation of the Department of Agriculture's proposed increase in food stamp purchase requirements.

The Department of Agriculture proposal is one part of the Administration's initiative for reducing the cost to the federal government of the whole range of income security programs. The large majority of the other elements of that initiative involve programs administered by this Department. The initiative includes, for example, a five percent limitation on this year's cost-of-living increase in old-age, survivors, and disability insurance and supplemental security income benefits, modification of the earned income disregards under the program of aid to families with dependent children and reduction in the rate of federal matching for some states under that program, increased beneficiary cost sharing under Medicare, elimination of federal matching for adult dental services under Medicaid and reduction in the lower limit on the rate of federal matching under that program, and reduction in the rate of federal matching for state social services programs.



If we are to enjoy any success in advancing the proposals that make up this initiative before the Congress and the public generally, it is important that our resolve in pursuing the objective at which these proposals are aimed be unmistakably clear. I believe that failure to veto H.R. 1589 would be viewed by many members of Congress and others outside the Administration as casting substantial doubt on the seriousness of that resolve. As a result, the prospects for our entire cost reduction initiative in the income security area would be adversely affected. I therefore strongly urge that the President veto the enrolled bill.

Sincerely,

  
Secretary





THE GENERAL COUNSEL OF THE TREASURY  
WASHINGTON, D.C. 20220

FEB 7 1975

Director, Office of Management and Budget  
Executive Office of the President  
Washington, D. C. 20503

Attention: Assistant Director for Legislative  
Reference

Sir:

Reference is made to your request for the views of this Department on the enrolled enactment of H.R. 1589, "To suspend increases in the costs of coupons to food stamp recipients as a result of recent administrative actions."

To implement President Ford's November 26, 1974 message to the Congress on Budget Restraint, the Department of Agriculture proposed amendments to the Food Stamp regulations to increase the costs of coupons to food stamp recipients. The enrolled enactment is directed against the new Agriculture regulations and would prohibit an increase in the charge for food stamps over the charge in effect on January 1, 1975 until December 30, 1975.

The Department would concur in a recommendation that the enrolled enactment not be approved by the President.

Sincerely yours,

  
General Counsel  
Richard R. Albrocht



THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

February 10, 1975

Dear Mr. Rommel:

This is in response to your request for the CEA's views on H. R. 1589, "to suspend increases in the costs of coupons to food stamp recipients as a result of recent administrative actions."

The Council of Economic Advisers does recommend that the President sign the bill but we believe that he should indicate his displeasure.

The current regulations provide for a sliding scale or cost-sharing with families in greater "need" (less income or more members) paying a smaller proportion of their income for the stamps. The new regulations proposed by the Department of Agriculture would raise this proportion for all families to 30 percent of income (as defined by the Food Stamp Program). The Federal cost of the program would be reduced as participants would pay a larger proportion of the value of the stamps and as fewer families would participate. We believe, however, that these developments are inconsistent with our overall policy of providing a more flexible welfare program. In addition, for many low income families the 30 percent rule may provide a substantial new financial drain and place additional pressures on other welfare programs.

We share the Department of Agriculture's concern with the growth of the Food Stamp Program and its effect on Federal expenditures. However, the approach of the proposed regulations serves to retard rational discourse and efficient modifications of the program. Greater equity and reduced Federal expenditures could be achieved by a



simplification and rationalization of the Food Stamp Program's definition of income and "cashing-out" the Federal subsidy. The low income population would look much less poor if the Federal subsidy were included in income for purposes of other programs and our count of the poor.

Sincerely,

*Alan Greenspan / by John A. Davis*

Alan Greenspan

Mr. Wilfred H. Rommel  
Office of Management and Budget  
Legislative Reference Office  
Washington, D. C. 20503



EXECUTIVE OFFICE OF THE PRESIDENT  
COUNCIL ON WAGE AND PRICE STABILITY

726 JACKSON PLACE, N.W.  
WASHINGTON, D.C. 20506

February 11, 1975

Honorable James Lynn  
Director  
Office of Management and Budget  
Washington, D.C. 20503

Dear Jim:

This is in response to your request for comments on H.R. 1589, an enrolled bill which would suspend increases in the cost of food stamps to recipients until December 30, 1975. Our agency has no special expertise about the food stamp program, and we would therefore like to defer to Agriculture and HEW as to whether the President should sign or veto the bill.

However, we should like to offer some comments on a general problem posed by the controversy. Programs of income maintenance that supply income in kind, such as food stamps, inevitably give rise to problems of inequity, heavy administrative costs, overlapping coverage and possible strong disincentives to work effort. The proper basis for income maintenance is a generalized cash program based on need with reasonable marginal tax rates -- in other words, a negative income tax program. We urge that the Administration continue to pursue its efforts to develop such a program to be introduced as soon as circumstances permit.

Sincerely,



Albert Rees  
Director



STATEMENT BY THE PRESIDENT

I am announcing today that I will allow to become law without my signature H.R. 1589 which prohibits for a full year basic reforms of the food stamp program through administrative action. The Congress passed this bill by large majorities in both Houses to block reforms which I consider reasonable and necessary.

In the first full year of its existence, this program cost \$14 million. The costs have grown to \$3.7 billion in 13 years. This action by the Congress to prohibit administrative reform will add over \$650 million to the costs of the program next year. Without the basic reforms I have requested, spending for this program could reach \$8 billion by 1980.

The reform which I proposed would have required people who receive food stamps to share with taxpayers the cost of recent real increases in benefits by spending on the average, 16% of their total income for food before becoming eligible for free stamps.

The proposed increase in the purchase price of food stamps was greatly exaggerated by those who opposed this reform. Percentage increases were cited and allowable deductions for medical, excess housing, child care and work expenses were not counted as a part of income; neither were other Federal benefits such as public housing and free food stamps.



In fact, the maximum reduction in free food stamps in the most heavily affected households would have been \$15 a month.

In short, this reform would have saved the taxpayers \$650 million each year.

When I first addressed the Congress as President, I said I wanted a good marriage between the executive and legislative branches. I believe I have made an honest effort to live up to this pledge.

In any good marriage, neither side gets its way all the time. However, each has the duty not to reject constructive proposals without offering some alternatives to achieve the common goal. In this case, that goal is the public interest in limiting spending to the amounts absolutely necessary to restore and assure active economic growth, to continue assistance to the needy and to provide for the defense of the country.

On the program reform which this bill prohibits, we disagree. However, I will implement the clear will of the Congress while working to develop legislative recommendations to improve the program. In a major test of my efforts to offer constructive reforms and reasonable savings, I am disappointed that the



Congress has not only rejected this plan but has failed to advance a constructive proposal of its own.

The Congress and the President share the responsibility of finding ways to limit the spending of taxpayers' money to levels no greater than necessary to meet our needs. So far, most of the major proposals for restraining spending for domestic programs have been initiated by the Executive branch.

If this Congress simply rejects these proposals without coming forward with good and timely alternatives, an unthinkable deficit will result and there will be no mistaking where the responsibility lies.



FEBRUARY 13, 1975

## Office of the White House Press Secretary

THE WHITE HOUSE

## STATEMENT BY THE PRESIDENT

I am announcing today that I will allow to become law without my signature H.R. 1589 which prohibits for a full year basic reforms of the food stamp program through administrative action. The Congress passed this bill by large majorities in both Houses to block reforms which I consider reasonable and necessary.

In the first fullyear of its existence, this program cost \$1.4 million. The costs have grown to \$3.7 billion in 13 years. This action by the Congress to prohibit administrative reform will add over \$650 million to the costs of the program next year. Without the basic reforms I have requested, spending for this program could reach \$8 billion by 1980.

The reform which I proposed would have required people who receive food stamps to share with taxpayers the cost of recent real increases in benefits by spending on the average, 16% of their total income for food before becoming eligible for free stamps.

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On the program reform which this bill prohibits, we disagree. However, I will implement the clear will of the Congress while working to develop legislative recommendations to improve the program. In a major test of my efforts to offer constructive reforms and reasonable savings, I am disappointed that the Congress has not only rejected this plan but has failed to advance a constructive proposal of its own.

(MORE)



The Congress and the President share the responsibility of finding ways to limit the spending of taxpayers' money to levels no greater than necessary to meet our needs. So far, most of the major proposals for restraining spending for domestic programs have been initiated by the Executive Branch.

If this Congress simply rejects these proposals without coming forward with good and timely alternatives, an unthinkable deficit will result and there will be no mistaking where the responsibility lies.

# # #



## SUSPENSION OF FOOD STAMP REGULATIONS

JANUARY 31, 1975.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. FOLEY, from the Committee on Agriculture,  
submitted the following

### REPORT

[To accompany H.R. 1589]

together with

### SUPPLEMENTAL AND ADDITIONAL VIEWS

The Committee on Agriculture, to whom was referred the bill (H.R. 1589) to amend the Food Stamp Act of 1964, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Strike everything after the enacting clause of H.R. 1589 and substitute in lieu thereof the following:

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.

Amend the title to read as follows:

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

#### PURPOSE

H.R. 1589, as amended by the Committee, suspends until December 30, 1975, increases in the costs of coupons to food stamp recipients as a result of recent administrative actions published in the Federal Register on January 22, 1975 (40 Fed Reg 3483-3484), until Congress passes on the merits of this highly controversial proposal. The proposal has the effect of increasing food stamp purchase requirements to 30 percent of net income for nearly all food stamp recipients and requires implementation of those provisions by March 1, 1975. The hard-



ship and controversy engendered by the proposal and the short time until its implementation dictates speedy and effective action by the Congress until it can more adequately examine the merits of the proposal.

#### NEED FOR THE LEGISLATION

On January 22, 1975, the U.S. Department of Agriculture published a notice in the *Federal Register* [40 Fed. Reg. 3483-3484] establishing a new method for computing the prices charged households for participating in the Food Stamp Program. The new method, which is to be effective on March 1, 1975, will require nearly every recipient household to pay 30% of their net income as a purchase requirement for the food stamps they receive. The only exceptions are to be those few households which, because they have net incomes below \$20 a month in the case of 1 and 2 person households and below \$30 a month in the case of larger households, are entitled by the Food Stamp Act to receive free food stamps. This sudden action by the Department of Agriculture represents a radical departure from the policy it has pursued heretofore under which individual food stamp charges had been specified on a sliding scale basis for each different-sized recipient household according to its income level. This action by the Department of Agriculture, if carried through, will impose enormous hardships upon millions of food stamp recipients at a time of grave difficulties in our economy.

Statistics supplied by witnesses indicate clearly that at least 93.5 percent of all food stamp recipients, or over 15 million persons, will be adversely affected by this rise in food stamp prices. These 15 million people will have to put out more cash in order to get back the same amount of food stamps.

The average household in the food stamp program now pays 23 percent of its net income for food stamps. The Administration's new regulations would require nearly all households to pay 30 percent of income for food stamps. Thus, the average household would have to pay out nearly one-third more in order to get back the same amount of stamps.

Third, the elderly poor would bear the overwhelming brunt of the implementation of the regulation. The new regulations would be most severe for one and two person households, and USDA says that over half of the people in one and two person households enrolled in the food stamp program are elderly.

Most one and two person households would have to pay between 30 and 100 percent more for their food stamps than they do at present. Some of the poorest one and two person households would have to pay up to eight times as much as they do now.

Persons who are enrolled in the Supplemental Security Income (SSI) program—the Federal Government's basic assistance program for the aged, blind, and disabled poor—would be affected with particular severity. An elderly individual with \$146 a month net income, the basic Federal payment level in the Supplemental Security Income program, now pays \$30 for \$46 in stamps, for a monthly benefit of \$16. The new regulations would require such individuals to pay \$43 for \$46 in stamps, for a benefit of only \$3.

HEW Department statistics indicate that two-thirds of the elderly poor who receive SSI aid also get Social Security. For persons enrolled in both programs, the combined benefit payments will bring their income up to \$166 a month. Persons at this income level presently pay \$33 for \$46 in food stamps, for a benefit of \$13. Under the new regulations, they will pay \$45 for \$46 in stamps, for a benefit of \$1.

Clearly, few if any elderly, blind, or disabled persons will go through the burdens and expense of applying and regularly reapplying for food stamps (which often entails waiting in line for hours), buying food stamps once or twice a month, and using food stamps in the stores for a monthly benefit of \$1 to \$3. In many cases, the transportation costs involved in getting food stamps come to more than this amount.

As a result, this regulation essentially eliminates a large bulk of the SSI recipients from the food stamp program, even though these recipients have income well below the poverty line (now set at \$194/month for individuals). This appears to contradict the intent of P.L. 93-233 and P.L. 93-335 in which Congress explicitly acted to make SSI recipients eligible for food stamps.

Just how many elderly persons would drop out of the food stamp program if the new regulations take effect is unclear. Estimates have run as high as one-half of all elderly individuals and couples in the program might drop out if the new plan takes effect—an occurrence that would be disastrous.

A further major problem is that to reprocess their entire food stamp caseload in order to implement the USDA regulations by March 1, many States must begin this work in the next two weeks. There is no way the States can rework their entire caseload again at the end of the month if Congressional action does not occur until that time.

All States need to hear in the near future, or else some or all of their recipients will receive food stamp authorization cards on March 1 requiring them to pay the increased price.

If States are forced to reprocess their entire caseload in the next few weeks to reflect the new regulations and then reprocess the entire caseload again in late February and March after Congressional action, enormous administrative difficulties—and greatly increased administrative expenses to both the Federal Government and the States—will result. In addition, millions of persons could be made to pay extra amounts for their food stamps in March.

#### COMMITTEE CONSIDERATION

A public hearing was held by the full Committee on Agriculture on January 30, 1975. Congressional, Departmental and public witnesses were heard. In an open business meeting on January 30, 1975, H.R. 1589, as amended, was ordered reported to the House by a roll call vote of 33 to 2 in the presence of a quorum.

#### DEPARTMENTAL POSITION

The U.S. Department of Agriculture was represented by Mr. Edward J. Heckman, Administrator, Food and Nutrition Service, at the hearings on the legislation. Mr. Heckman's statement in defense of the Administration's action is as follows:

STATEMENT BY EDWARD J. HEKMAN, ADMINISTRATOR, FOOD AND NUTRITION SERVICE, U.S. DEPARTMENT OF AGRICULTURE

Mr. Chairman and Members of the Committee:

We welcome the opportunity to meet with you today to discuss the change in regulations for the Food Stamp Program, to adjust the price that recipients pay for their food stamp allotment to a generally uniform 30 percent of net income. The change, which is to take effect March 1, is part of a broad plan which President Ford announced in his budget message of November 26, and repeated in his State of the Union Message to slow the growth in the rate of Federal expenditures.

The change was undertaken only after careful consideration was given to all the factors involved and after an ample period of time had been allowed for public comment on the question. My testimony today is to explain the background of that decision and to trace the developments in it.

First, let me review the key developments in the change. Shortly after the President announced the proposal in his November 26 budget message, the Department following the usual rulemaking procedure, announced the proposed amendments to Food Stamp regulations on December 4 and published the full text of the proposed amendments in the Federal Register of December 6. Comments, suggestions, or objections were invited from all interested persons and a period of 21 days was allowed for public comment.

In response to the invitation, the Department received 4,317 comments from individuals and organizations. All of the comments were carefully reviewed and analyzed in the decision-making process. Most of the comments received dealt with the effects of the proposed change on various individual cases. Many said it would make it more difficult to take part in the program, or not worth the time required—while other comments favored increased contributions from participants in the program.

Responding to these comments, revisions were made in the amendment and these are now incorporated in the final regulations which were announced Friday, January 17 and published in full in the Federal Register January 22.

In developing the proposal contained in the President's message, the Department took the following factors into account. Food Stamps will continue to be completely free for all one- and two-person households with a net monthly income of less than \$20 a month, and for all other households with income less than \$30 a month. Second the 30 percent requirement applies to adjusted net income.

In determining the "adjusted net income" of a family applying for food stamps, a number of household expenses can be deducted from the household's total income. These are:

Ten percent of earned income or training allowance not to exceed \$30 a month.

Mandatory income deductions including income taxes, Social Security taxes, retirement payments, union dues and some types of garnishments.

Medical costs if more than \$10 a month.

Costs of child or invalid care that enables a household member to work or train.

Tuition and required fees for education.

Financial losses due to fire, hurricane, flood or theft and costs of funerals.

Court-ordered alimony and support payments.

Shelter costs which are more than 30 percent of household income, calculated after all other deductions.

Therefore, in view of the urgent need to control the growth of Federal expenditures it was decided to implement a straight 30 percent purchase requirement for most participants in the program, since requiring all households to pay the same percentage of net income for their food stamps provides greatest fairness to all. This principle of equity in the program is in line with provisions of the Food Stamp Act, which specify that the purchase requirement shall be a reasonable amount, not to exceed 30 percent of the household's income.

Overall, the effect of the change is expected not so much to cut Federal spending as to check the growth. Between now and the end of the current fiscal year ending June 30, the change in food stamp purchase requirements is expected to result in a net savings of \$215 million. Another \$110 million savings is projected from new rules which deny food stamps to non-needy students, a tightening of work registration requirements, and a strengthening of quality control work to tighten eligibility requirements.

The net effect of savings in both areas would be to hold Federal expenditures for the Food Stamp Program to \$3.7 billion during Fiscal Year 1975. That is still well above the \$2.8 billion in Federal costs for food stamps during Fiscal Year 1975, the year that ended last June 30.

We appreciate the committee's concern about the effects this decision will have on the finances of the individuals and families who participate in the Food Stamp Program. The Department shares this concern and has done considerable study and analysis of the situation.

Prior to the new amendment, the amounts that participants in the Program pay as their purchase requirement have varied widely among the different sizes of families and their level of income. Relatively few households have been paying the legislated maximum of 30 percent of their net income for food stamps. And these are mainly the large-sized households of eight or more persons. But other participants have been paying much less than that share, with some purchase requirements ranging as low as 5 percent of net household income. This lack of uniformity has been beneficial to some participants, while other participants have been treated inequitably. The amendment, will correct these inequities and ask every

participating family to pay the same percentage of net household income.

In line with the mandate of Congress in the 1973 Farm Bill (Public Law 93-86), the amount of coupons allotted to each participant in the Food Stamp Program is re-appraised twice each year to keep the coupon allotment in tune with the price of food. Since the semi-annual "escalator" provision took effect on January 1, 1974, the coupon allotment has been increased three times so that participants in the Food Stamp Program have been insulated against increases in food prices, one of the few groups in our society having such protection.

Using a family of four as an example, the monthly food stamp allotment for that size household has gone from \$108 a month in July 1971 to \$154 currently. The most recent increase took effect at the first of the year. Each time the allotment has been increased, most of the increase has been paid for by the Federal Government. The amount the participant pays has remained virtually the same.

Because the Federal Government is paying almost the whole increase, its costs for support of the Program have been rising sharply. The amount of the bonus per-person that is paid for out of Federal funds is up 55 percent from what it was three years ago and up 40 percent from what it was just two years ago.

This constant climb in bonus food stamps is boosting the total cost of the program and of course adding to the total of Federal spending, and thereby contributing to the deficit in the Federal budget. President Ford in his State of the Union Address spoke of the urgent need to control Federal spending in the face of serious budget deficits. The amendment to the food stamp regulations provides for a more equitable sharing between program participants and the general taxpayers of the costs of inflation.

The amount of the increase in the bonus paid to food stamp participants is running well ahead of actual increases in food prices. While there has been a 55 percent increase in the bonus over three years, retail prices for food have increased 38 percent in that same period of time. In the past two years—while the food stamp bonus has gone up 40 percent, food prices have risen 32 percent in the same period.

Another way to look at the bonus is in terms of "constant dollars" the result of dividing the average bonus by the Consumer Price Index for "food at home." If we thus remove the impact of inflation from the bonus side of the equation—we find that the average food stamp bonus has still increased faster than food prices—five percent over the past two years, reaching an all-time high this past quarter.

The increase in the purchase requirement is expected to reduce the national average monthly bonus per-person by \$4.00 from the average \$20.70 in the first quarter of Fiscal 1975 (July-September 1974). If that estimate proves accurate the bonus will, as a result of the change in purchase requirement,

average \$16.70 per-person per month. It will still be well above the \$15.29 level of a year ago.

Then, of course, one must take into account that bonus levels are even larger now than these figures would indicate, as a result of the increase in food stamp allotments that took effect on January 1, 1975. That increase raised the bonus for a family of four by \$4.00, or by an average of \$1.00 a person, with comparable increases for most families of other sizes.

Further, we now have access to new and very significant data, from a national survey of Food Stamp participants—the first national survey conducted. It was requested by the Subcommittee on Fiscal Policy of the Joint Economic Committee of the Congress, was conducted by the Chilton Research Services and furnished to the Congress as requested. The results of the study were published by the Joint Economic Committee as part of their series of "Studies in Public Welfare."

The study on the Food Stamp Program, shows that households taking part in the Food Stamp Program have been paying far less of their incomes for food than was previously believed.

On the average, the study shows participants in the Food Stamp Program, have been paying 23 percent of their adjusted net income as their food stamp purchase requirement. That is the net income, calculated for food stamp purposes, allowing for such deductions as we enumerated earlier.

The study also looked at the good stamp purchase requirement in terms of total cash income. On this basis participants in the Food Stamp Program were found to be paying 18 percent of cash income for their food stamps. This, of course, does not count the value of bonus food stamps.

Then, the study went a step further and looked at the food stamp purchase requirement in terms of total income—including the value of the bonus stamps and other Federal program benefits such as housing and medicaid benefits. On that basis, Food Stamp participants have been paying 12 percent of their total income for their food stamps.

With this comprehensive data, we have been able to project the effect that adjusting the purchase price of food stamps to 30 percent of net income will have on these percentages. The revised purchase price, will mean that food stamp participants will be spending 16 percent (as compared to the previous 12 percent) of total income for the purchase of food. This is still slightly below the national average for the U.S. population generally. National Income Account data reports that 16.9 percent of disposable income was spent for food for the nation as a whole in the first quarter of Fiscal Year 1975.

These figures, in our view, help to put the plan to revise food stamp requirements into perspective, along with other factors affecting the income and well-being of program participants. They also enable us to examine the benefits available to food stamp households, in relation to the food expenditures and incomes of other households not receiving food stamp benefits.

It is also important, in our view, to look at the food stamp change within the broad context of the President's overall economic program. The food stamp decision is one element of a total package of plans the President has advanced to help turn the American economy around and thus assure a more stable financial picture for all our citizens. The President's program emphasizes getting the unemployed back to work. I'm sure most of us can agree that is clearly the most productive means of helping these people improve their economic position.

The decision to increase the price of food stamps is obviously an unpopular move. We knew it would be; and therefore it was not an easy decision to make. The choices were difficult. But weighed in the context of the percentage of total income that the participants would be required to spend for food and against the urgent need to slow government spending—and do it now—we decided it was fair and proper to ask program participants to share with the general taxpayer the rising costs of the Food Stamp Program.

We have, throughout the decisionmaking process given careful consideration to questions of equity and fairness. In light of the thorough study and analysis that's been done on the issue, we feel confident that food stamp participants are being asked to carry no more than an equitable share of the costs everyone must bear in order to help solve the Nation's economic problems.

#### INFLATIONARY IMPACT STATEMENT

Pursuant to clause 2(1) (4), Rule XI of the Rules of the House of Representatives the Committee estimates that enactment of H.R. 1589 will have no inflationary impact on prices and costs in the operation of the national economy. The bill requires no new appropriations. Further, testimony before the Committee indicated that its enactment would have a beneficial impact on the economy of all States.

In Alabama, for example, according to witnesses, over \$22 million a year would be pulled out of the economy if the USDA proposed regulations were to go into effect. Over \$10 million a year would be lost in Arkansas. The figures for some other States are as follows:

[In millions of dollars]

California -----	84.0	Montana -----	2.2
Florida -----	35.6	New York -----	65.2
Georgia -----	26.8	North Carolina -----	21.6
Illinois -----	53.3	Ohio -----	50.7
Indiana -----	12.3	South Carolina -----	24.0
Iowa -----	6.7	Tennessee -----	21.8
Kentucky -----	27.4	Texas -----	69.9
Louisiana -----	33.9	Virginia -----	13.2
Minnesota -----	\$10.0	Washington -----	15.0
Mississippi -----	23.0		

Losses to State economies of this magnitude can only mean loss of revenues to local businesses, and more workers laid off as a result. Consequently, the Administration's plan to raise food stamp prices would both be devastating to the elderly, the unemployed, and other poor—and it would also aggravate our current economic difficulties.

## OVERSIGHT STATEMENT

No summary of oversight findings and recommendations made by the Committee on Government Operations under clause 2(b)(2) of Rule X of the Rules of the House of Representatives was available to the Committee with reference to the subject matter specifically addressed by H.R. 1589.

No specific oversight activities, other than the hearings accompanying the Committee's consideration of H.R. 1589, were made by the Committee, within the definition of Rule XI of the House.

## CURRENT AND 5-SUBSEQUENT-FISCAL-YEAR COST ESTIMATE

Pursuant to Clause 7 of Rule XIII of the Rules of the House of Representatives, the Committee estimates the cost to be incurred by the Federal Government during the current and the five subsequent fiscal years as a result of the Enactment of this legislation would be zero. Funds in the amount of approximately \$3.98 billion were appropriated during the 93rd Congress for all costs of the Food Stamp Program during the current fiscal year. While the Administration's testimony during hearings indicated an expectation of "net savings" of \$215 million during this fiscal year, the Committee does not feel that this is a "cost incurred by the Federal Government" within the terms of clause 7, Rule XIII.

No comparable estimate of costs was formally submitted to the Committee by a government agency. However, in presenting its statement to the Committee, Mr. Edward J. Hekman stated the following:

Overall, the effect of the change is expected not so much to cut Federal spending as to check the growth. Between now and the end of the current fiscal year ending June 30, the change in food stamp purchase requirements is expected to result in a net savings of \$215 million. Another \$110 million savings is projected from new rules which deny food stamps to non-needy students, a tightening of work registration requirements, and a strengthening of quality control work to tighten eligibility requirements.

The net effect of savings in both areas would be to hold Federal expenditures for the Food Stamp Program to \$3.7 billion during Fiscal Year 1975. That is still well above the \$2.8 billion in Federal costs for food stamps during Fiscal Year 1974, the year that ended last June 30.

## COMMITTEE INTENT

The Committee understands that, in freezing the current purchase requirements for the remainder of 1975, it is also continuing in effect the Department's authority, when it devises new Basis of Coupon Issuance tables (to be effective on July 1, 1975), to increase monthly purchase requirements for those households in the very upper monthly net income brackets. The Department has exercised this authority since 1971 in order to avoid the "notch" effect of forcing a household

to forego substantial benefits when its income exceeds the applicable maximum allowable monthly income standard by as much as \$1.00. The Committee, however, wishes to make it clear that the Department, in utilizing its authority, cannot increase any household's monthly purchase requirement by a sum that is in excess of the concomitant increase in the household's monthly coupon allotment and cannot increase such requirements for households in monthly net income brackets below the brackets on which such increases were made as of January 1, 1975.

#### CHANGES IN EXISTING LAW

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in *italic*, and existing law in which no change is proposed is shown in roman):

#### FOOD STAMP ACT OF 1964, AS AMENDED

\* \* \* \* \*

VALUE OF THE COUPON ALLOTMENT AND CHARGES TO BE MADE

Section 7—\* \* \*

\* \* \* \* \*

(b) Notwithstanding any other provision of law, households shall be charged for the coupon allotment issued to them, and the amount of such charge shall represent a reasonable investment on the part of the household, but in no event more than 30 per centum of the household's income: *Provided*, That coupon allotments may be issued with out charge to households with income of less than \$30 per month for a family of four under standards of eligibility prescribed by the Secretary: *Provided further*, That the Secretary shall provide a reasonable opportunity for any eligible household to elect to be issued a coupon allotment having a face value which is less than the face value of the coupon allotment authorized to be issued to them under subsection (a) of this section. The charge to be paid by eligible households electing to exercise the option set forth in this subsection shall be an amount which bears the same ratio to the amount which would have been charged under subsection (b) of this section as the face value of the coupon allotment actually issued to them bears to the face value of the coupon allotment that would have been issued to them under subsection (a) of this section.

*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."*<sup>1</sup>

<sup>1</sup> While H.R. 1589 does not directly amend Section 7(b), it directly affects the administration of this provision of the Food Stamp Act.

## SUPPLEMENTAL VIEWS

We are compelled to submit these supplemental views because those of us who voted for this bill in Committee as well as those who opposed it share a common concern about this program.

Our concern goes far beyond the issue of the Department of Agriculture's proposed regulations that are scheduled to take effect March 1 and which this bill postpones for the remainder of the 1975 calendar year. It was originally our hope that the Committee would undertake a comprehensive review of the Food Stamp Program, but we realized that time was a critical element in this instance relative to the decision on whether to allow the Department of Agriculture to implement its proposed regulations as planned on March 1.

Furthermore, Chairman Foley erased our objections, for the most part, to rushing this bill through the legislative process by promising an in-depth review of the Food Stamp Program later in the year (and the sooner the better as far as we are concerned).

We are shocked by the realization that consumer-oriented, food stamp, and other welfare-type programs now consume approximately 65 percent of the Department of Agriculture's budget. This statistic raises the question in our minds as to whether that once great Department should be renamed HEW II!

Expenditures for these programs continue to grow at an alarming rate, and this at a time when, in our judgment, the program is being badly abused. Persons voluntarily on strike, non-needy college students, and others "poor by choice" are being unnecessarily and wrongfully subsidized at the taxpayers' expense as they flood the food stamp rolls. One can only wonder about how long we can allow the ever-increasing and massive expenditures for food stamps and other welfare-type programs to consume greater and greater amounts of funds at the sacrifice of other USDA programs such as agricultural research and conservation which return direct and tangible benefits to the country as a whole.

We do sincerely appreciate Chairman Foley's commitment to hold a full scale study of the Food Stamp Program, which will provide an opportunity for us to legislatively correct the aforementioned abuses. Likewise, the time has come for us to legislatively redirect our priorities as far as the USDA budget is concerned. We simply cannot continue to rob research to expand welfare, for if we remain on this course, people will someday go to the grocery store with their food stamps in hand, only to find the shelves as bare as Mother Hubbard's cupboard!

CHARLES E. GRASSLEY.  
TOM HAGEDORN.  
STEVE SYMMS.

## ADDITIONAL VIEWS OF HON. JAMES P. JOHNSON

My support of this bill is not an unqualified endorsement of the existing Food Stamp Program. The Administration is justifiably concerned with skyrocketing cost increases, but it obviously is the wrong time to introduce a cutback of existing program benefits. According to testimony given by Edward J. Hekman, Administrator of the Food Nutrition Service, the annual cost of the Food Stamp Program has grown from \$890 million, 5 years ago, to over \$4 billion annually, now. Obviously, this cannot continue, and the whole program must be reevaluated in light of individual needs and budget requirements.

We have been assured that full scale, indepth hearings on the entire program will be held during this year and that is the reason I support this bill which in effect prevents any administrative changes for 1 year.

In all fairness, it should be pointed out that the administration action is not the heartless, callous, unconscionable, et cetera, decision that some ascribe to it. The proposed 30 percent requirement applies to adjusted net income. In determining the adjusted net income of a family applying for food stamps, a number of household expenses are deducted from the household's total income. These are:

(1) Shelter costs, including cost of fuels, rent, et cetera, which are more than 30 percent of household income, calculated after all other deductions.

(2) Ten percent of earned income or training allowance, not to exceed \$30 per month.

(3) Mandatory income deductions including income taxes, Social Security taxes, retirement payments, union dues, and some types of garnishments.

(4) Medical costs if more than \$10 a month.

(5) Costs of child or invalid care that enables a household member to work or train.

(6) Tuition and required fees for education.

(7) Financial losses due to fire, hurricane, flood or theft and costs of funerals.

(8) Court-ordered alimony and support payments.

The amounts that participants pay thus vary widely among the different sizes of families and their levels of income. Relatively few households pay the maximum of thirty percent of their *adjusted net income* for food stamps. These are mainly households of eight or more persons. Others have been paying much less, with some paying as low as five percent of *adjusted net income*. The lack of uniformity has been beneficial to some, harmful to others. The Administration's proposal was an attempt to correct these inequities and ask each participating family to pay the same percentage adjusted net income. Unfortu-

nately, this causes a disproportionate burden to fall on those least able to pay, hence this legislation. I hope that it can be passed with a minimum of castigation, obloquy and moral indignation about the Administration's proposals which were intended to require all households to pay the same percentage of adjusted net income in the name of fairness to all.

The real problem is that we don't have enough information to make valid judgments about the whole program right now. We do not have and evidently cannot get the numbers of people who participate in the program who are over 60; who are on Social Security, who are on Supplemental Security Income; who are college students; who are strikers; who are among the "voluntary poor"; who are in the \$10-15,000 a year income bracket (or indeed in any income bracket). Thus the program keeps growing under the semi-annual escalator provision of the law which has led to three increases in the coupon allotment since January 1, 1974. In a family of four, the monthly food stamp allotment has gone from \$108 a month in July 1971, to \$154 now. The Federal government pays for most of the cost of increasing the allotment. The participants pay virtually the same.

This program needs a thorough study, review and overhaul. The Agriculture Committee has committed itself to do just that in the coming year. If we act expeditiously, I see no harm in delaying implementation of the Administration proposals as contemplated by this legislation.

JAMES P. JOHNSON.



# Ninety-fourth Congress of the United States of America

AT THE FIRST SESSION

*Begun and held at the City of Washington on Tuesday, the fourteenth day of January,  
one thousand nine hundred and seventy-five*

## 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.*

*Speaker of the House of Representatives.*

*Vice President of the United States and  
President of the Senate.*

of Housing and Urban Development. She will succeed James T. Lynn, who was sworn in as Director of the Office of Management and Budget on February 10, 1975.

Since April 1974, Mrs. Hills has been Assistant Attorney General, Civil Division, for the Department of Justice. From 1962 to March 1974, she was a partner with the law firm of Munger, Tolles, Hills & Rickershauser of Los Angeles. During this time she also was adjunct professor at the University of California at Los Angeles in the spring of 1972. She served as Assistant United States Attorney in Los Angeles from 1959 to 1961.

She was born on January 3, 1934, in Los Angeles, Calif. Mrs. Hills studied at Oxford University during 1954 and received her A.B. degree from Stanford University in 1955 and her LL.B. degree from Yale University Law School in 1958. She was admitted to the California State Bar in 1959. She is also a member of the Supreme Court Bar of the United States. She is the coauthor of Federal Civil Practice (1961) and the editor and coauthor of Antitrust Advisor (1971).

Mrs. Hills is married to Roderick M. Hills, and they have four children. They reside in Washington, D.C.

## Corporation for Public Broadcasting

*Statement by the President Upon Proposing Long-Term Federal Funding for the Corporation.*  
February 13, 1975

The Administration today sent a bill to the Congress that will appropriate Federal funds for the Corporation for Public Broadcasting over a 5-year period, starting with \$70 million in fiscal 1976 and reaching \$100 million by 1980. To assure that Federal support does not dominate public broadcasting and to encourage continued non-Federal contributions, the Federal funds would be provided on a matching basis—with one Federal dollar for every \$2.50 in non-Federal revenues up to the annual ceiling.

Since enactment of the Public Broadcasting Act of 1967, the Federal Government has supported the growth and development of noncommercial educational radio and television through annual appropriations. During this time, public broadcasting has developed and matured into a far-reaching, effective medium for bringing high quality educational and cultural programming to millions of Americans.

A recurring question in public broadcasting has been how to reconcile Government funding with the possibility of Government control. On the one hand, if Federal funds are used to support public broadcasting, the Government must be able to evaluate how the funds are spent. To do otherwise would be irresponsible. On the other hand, strict

accountability by public broadcasting to the Government can lead to Government direction of programming, which is contrary to the principles of free expression on which our Nation was founded. It is this issue alone which requires that the Congress consider a 5-year appropriation for public broadcasting.

This bill is a constructive approach to the sensitive relationship between Federal funding and freedom of expression. It would eliminate the scrutiny of programming that could be associated with the normal budgetary and appropriations processes of the Government. At the same time, it would still permit periodic review of public broadcasting by the Congress. I believe that it will assure the independence of noncommercial radio and television programming for our Nation; and, long-term Federal funding will add stability to the financing of public broadcasting which may enhance the quality of its programming. I urge the Congress to enact it promptly.

## Food Stamp Bill

*Statement by the President Upon Allowing H.R. 1589 To Become Law Without His Signature.*  
February 13, 1975

I am announcing today that I will allow to become law without my signature H.R. 1589, which prohibits for a full year basic reforms of the food stamp program through administrative action. The Congress passed this bill by large majorities in both Houses to block reforms which I consider reasonable and necessary.

In the first full year of its existence, this program cost \$14 million. The costs have grown to \$3.7 billion in 13 years. This action by the Congress to prohibit administrative reform will add over \$650 million to the costs of the program next year. Without the basic reforms I have requested, spending for this program could reach \$8 billion by 1980.

The reform which I proposed would have required people who receive food stamps to share with taxpayers the cost of recent real increases in benefits, by spending on the average 16% of their total income for food before becoming eligible for free stamps.

The proposed increase in the purchase price of food stamps was greatly exaggerated by those who opposed this reform. Percentage increases were cited, and allowable deductions for medical, excess housing, child care, and work expenses were not counted as a part of income; neither were other Federal benefits such as public housing and free food stamps. In fact, the maximum reduction in free food stamps in the most heavily affected households would have been \$15 a month. In short, this reform would have saved the taxpayers \$650 million each year.



When I first addressed the Congress as President, I said I wanted a good marriage between the executive and legislative branches. I believe I have made an honest effort to live up to this pledge.

In any good marriage, neither side gets its way all the time. However, each has the duty not to reject constructive proposals without offering some alternatives to achieve the common goal. In this case, that goal is the public interest in limiting spending to the amounts absolutely necessary to restore and assure active economic growth, to continue assistance to the needy, and to provide for the defense of the country.

On the program reform which this bill prohibits, we disagree. However, I will implement the clear will of the Congress while working to develop legislative recommendations to improve the program. In a major test of my efforts to offer constructive reforms and reasonable savings, I am disappointed that the Congress has not only rejected this plan but has failed to advance a constructive proposal of its own.

The Congress and the President share the responsibility of finding ways to limit the spending of taxpayers' money to levels no greater than necessary to meet our needs. So far, most of the major proposals for restraining spending for domestic programs have been initiated by the executive branch.

If this Congress simply rejects these proposals without coming forward with good and timely alternatives, an unthinkable deficit will result and there will be no mistaking where the responsibility lies.

NOTE: The bill will become law on February 19, 1975, upon expiration of the 10-day period allowed for Presidential action. The public law number will be printed in the Acts Approved listing in next week's issue.

## New York Society of Security Analysts

*The President's Remarks and a Question-and-Answer Session With Members of the Society in New York City. February 13, 1975*

THE PRESIDENT. *Mr. Carlson, Senator James Buckley, Attorney General Leffkowitz, members of the New York Society of Security Analysts, ladies and gentlemen:*

First, let me express my deep appreciation for the opportunity of being here today. In the last week, while the Congress has been in recess, I have been to Atlanta, to Houston, to Topeka, Kansas, and now in the lower end of Manhattan.

I am looking forward to equal opportunities in the several weeks ahead to tell a story that I think has to be told, whether it is in the South, the West, the great State of New York, or elsewhere. And with your indulgence, I would like to make a point or two on something that I feel very strongly and very deeply about.

I understand there have been a very great many rumors going on around this town about the reason for my visit to your organization. And before I begin, I would like to deny one of them. There is absolutely no truth to the rumor that I have come here to deliver CARE packages from Alan Greenspan. [Laughter]

It is a great honor and a privilege to be speaking to your society here today because in many, many ways we have shared the same problems. But we have also shared the same hopes and a basic optimism. Looking to the future, I am confident that you, in your portfolios, and me, in the polls, have seen our lows for the year. [Laughter]

Of course, I realize that not everyone shares that optimism. Last Sunday, my good friend, George Meany, was on network television to announce that the sky was falling in, and I have to admit that some of the economic forecasters, some of my own advisers, have been strong on clouds and weak on silver linings.

But if I may paraphrase Mark Twain, the reports of the free enterprise system's death or demise have been greatly exaggerated.

Take a second look at the gloomy forecasts. Even the best forecasters sometimes have trouble. Grim statistics tend to assume a life and a momentum of their own. So, when the rate of joblessness has gone up 3 percent in the past year, the tendency among some forecasters is to look for a further rise, not a turnaround.

Forecasts are only forecasts. They are not divine commandments carved upon stone. The thing we should concentrate on now, as I see it, is not what someone has forecast, but what we can do to change things for the better. America's economic future does not depend upon paper projections. I concede we are in a very difficult situation. But if we approach it with a practical, tough-minded optimism, we can cope.

An economic illness is like any other illness. Too much medicine or too little medicine can make it worse. The crucial issue is how much treatment to give.

This was what I had to decide in drawing up a comprehensive economic program. Too small a tax cut would not really help the average citizen. Too large a Federal deficit would soak up too much capital and fan the flames of inflation.

A realistic balance had to be struck. The program I have submitted—after a great deal of time and attention and the best and most expert advice I could get—comes as close as possible under present conditions. The \$16 billion tax cut would not just benefit the individuals and businesses receiving it. It would provide an immediate stimulant to the economy. It would pump fresh money into consumer goods and services and, at the business end, into new jobs and greater productivity.

I am hopeful that we can and will have unemployment down by the end of this year. But in stimulating the economy to create more jobs, neither the Congress nor I can



# Ninety-fourth Congress of the United States of America

AT THE FIRST SESSION

*Begun and held at the City of Washington on Tuesday, the fourteenth day of January,  
one thousand nine hundred and seventy-five*

## An Act

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

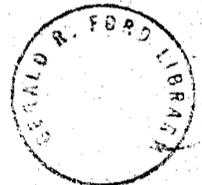
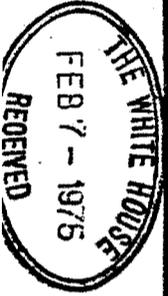
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*Carl Albert*

*Speaker of the House of Representatives.*

*Richard (Dick) Stone*

*Vice President of the United States and  
Acting President of the Senate pro Tempore.*



Office of the White House Press Secretary

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THE WHITE HOUSE

## STATEMENT BY THE PRESIDENT

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In fact, the maximum reduction in free food stamps in the most heavily affected households would have been \$15 a month.

In short, this reform would have saved the taxpayers \$650 million each year.

When I first addressed the Congress as President, I said I wanted a good marriage between the executive and legislative branches. I believe I have made an honest effort to live up to this pledge.

In any good marriage, neither side gets its way all the time. However, each has the duty not to reject constructive proposals without offering some alternatives to achieve the common goal. In this case, that goal is the public interest in limiting spending to the amounts absolutely necessary to restore and assure active economic growth, to continue assistance to the needy and to provide for the defense of the country.

On the program reform which this bill prohibits, we disagree. However, I will implement the clear will of the Congress while working to develop legislative recommendations to improve the program. In a major test of my efforts to offer constructive reforms and reasonable savings, I am disappointed that the Congress has not only rejected this plan but has failed to advance a constructive proposal of its own.

(MORE)



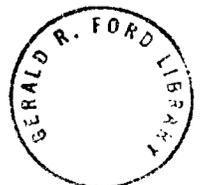
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If this Congress simply rejects these proposals without coming forward with good and timely alternatives, an unthinkable deficit will result and there will be no mistaking where the responsibility lies.

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February 7, 1975

Dear Mr. Director:

The following bill was received at the White House on February 7th:

H.R. 1589

Please let the President have reports and recommendations as to the approval of this bill as soon as possible.

Sincerely,

Robert D. Linder  
Chief Executive Clerk

The Honorable James T. Lynn  
Director  
Office of Management and Budget  
Washington, D. C.

