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FOOD STAMP MEETING
w/ President
Wednesday, February 18, 1976
5:00 p.m.

CABINET ROOM

FOOD STAMP BRIEFING
w/President, Sec. Butz, Jack
Knebel, Richard Feltner
Wednesday, February 18, 1976
12:00 Noon

Oval Office

1) Talmon

2) 14

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- Sequence:
- 1) wait until vote
 - 2) examine what I do
 - 3) letter - Both open
- no app - my secret

E. L. B.

DRAFT

Dear _____

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

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

As you know the Food Stamp appropriation passed by Congress in December clearly anticipated implementation of such substantial reform. Indeed, the appropriation bill passed by the Congress assumed that reform would take place promptly and

it reduced the amounts provided to pay program benefits accordingly.

Without ^{*prompt*} action ₁ it is clear that the funds appropriated will not be adequate to meet the costs of the program. But no action has yet been taken to change the law. Each day that goes by without enactment of the reform I proposed costs the taxpayers more than \$3.25 million.

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

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

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

THE WHITE HOUSE

WASHINGTON

February 18, 1976

MEETING ON FOOD STAMP REFORM

Wednesday, February 18, 1976

5:00 p.m. (30 minutes)

The Cabinet Room

From: Jim Cannon
Max Friedersdorf

Jim Cannon
M.F.

I. PURPOSE

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

II. BACKGROUND, PARTICIPANTS, AND PRESS PLAN

A. Background

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

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

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

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

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

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

Congressional Situation

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

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

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

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

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

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

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

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

B. Participants

At Tab B.

C. Press Plan

To be announced. White House photographer.

OPTIONS FOR FOOD STAMP REGULATIONS PRIOR TO LEGISLATION

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

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

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

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

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

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

III. A third group of frequently discussed provisions includes:

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

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

PARTICIPANTS

House

John Rhodes
Bob Michel

Senate

Hugh Scott
Bob Griffin
James Buckley

Secretary Earl Butz
Under Secretary Jack Knebel
Assistant Secretary Richard Feltner

Staff

Max Friedersdorf
Jim Cannon
Paul O'Neill
Art Quern

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