

The original documents are located in Box C23, folder “Presidential Handwriting, 6/20/1975” of the Presidential Handwriting File at the Gerald R. Ford Presidential Library.

Copyright Notice


The copyright law of the United States (Title 17, United States Code) governs the making of photocopies or other reproductions of copyrighted material. Gerald Ford donated to the United States of America his copyrights in all of his unpublished writings in National Archives collections. Works prepared by U.S. Government employees as part of their official duties are in the public domain. The copyrights to materials written by other individuals or organizations are presumed to remain with them. If you think any of the information displayed in the PDF is subject to a valid copyright claim, please contact the Gerald R. Ford Presidential Library.

THE WHITE HOUSE

WASHINGTON

June 20, 1975

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: JIM CANNON
FROM: JIM CONNOR 
SUBJECT: FOOD STAMPS

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

1. Proceed with Fourteen Points

Approved.

2. Eligibility

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

- Approved -

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

Please follow-up with appropriate action.


cc: Don Rumsfeld

THE WHITE HOUSE

ACTION

WASHINGTON

June 17, 1975

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

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

1. Court Decision

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

2. Additional Problem

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

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

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

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

RECOMMENDATIONS

1. Proceed with Fourteen Points

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

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

APPROVE MRG

DISAPPROVE _____

2. Eligibility

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

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

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

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

APPROVE

MCJ

DISAPPROVE

COMMENTS

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

REPUBLICAN STUDY GROUP PROPOSAL

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

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

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

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

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

ROBERT H. MICHEL
18TH DISTRICT, ILLINOIS

MINORITY WHIP
APPROPRIATIONS COMMITTEE
RANKING MEMBER
LABOR, HEALTH, EDUCATION, AND WELFARE
SUBCOMMITTEE

WASHINGTON OFFICE:
2112 RAYBURN BUILDING
(202) 225-6201

RALPH VINOVIK
ADMINISTRATIVE ASSISTANT

DISTRICT OFFICE:
1007 FIRST NATIONAL BANK BUILDING
PEORIA, ILLINOIS 61602
(309) 673-6358

COUNTIES:
BROWN MASON
BUREAU PEORIA
CASS SCHUYLER
KNOX STARK
TAZEWELL

Congress of the United States
House of Representatives
Washington, D.C. 20515

June 17, 1975

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

JUN 17 1975

Dear Mr. President:

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

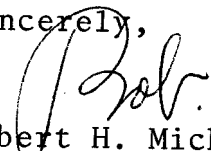
A number of your supporters have been working over the past five months to develop a meaningful food stamp program that is designed to maximize benefits to the truly poor while placing a fiscal discipline on the growth and expansion to other recipients.

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

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

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

Sincerely,


Robert H. Michel
Member of Congress

S U M M A R Y

THE NATIONAL FOOD STAMP REFORM ACT OF 1975

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

June 1975

OVERVIEW

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

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

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

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

(a) Substantially increase benefits which are paid to the persons who genuinely need nutritional assistance, and

(b) realize, at the same time, significant savings for the taxpayer.

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

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

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

• AVERAGE NUMBER OF AMERICANS RECEIVING FOOD STAMPS

1965 - ONE IN 439

1967 - ONE IN 157

1970 - ONE IN 47

1973 - ONE IN 17

1975 - ONE IN 13 (ESTIMATE)

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

• ONE IN FOUR ALREADY POTENTIALLY ELIGIBLE IN JULY 1974.

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

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

TABLE A

PARTICIPANTS VS. ELIGIBLES
FOOD STAMP PROGRAM*

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

* * * * *

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

* * * * *

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

SUMMARY OF RECOMMENDATIONS

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

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

LEVEL OF BENEFITS TO THE GENUINELY NEEDY

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

ELIGIBILITY LOOPHOLES

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

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

ADMINISTRATIVE COMPLEXITIES

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

INSUFFICIENT CASH AND COUPON ACCOUNTABILITY

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

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

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

PURPOSES OF PROGRAM --

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

FUNDING

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

JUN 18 1975