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*10/21/76*

**APPROVED**  
OCT 21 1976

*Statement issued 10/22/76*

THE WHITE HOUSE  
WASHINGTON

ACTION

October 20, 1976 Last Day: October 25, 1976

MEMORANDUM FOR

THE PRESIDENT

FROM:

JIM CANNON *J.C. Cannon*

SUBJECT:

H.R. 13500 - Food Stamp and Supplemental Security Income (SSI) Amendments

*Noted 10/22/76*

Attached for your consideration is H.R. 13500, a combination of a Senate Finance Committee Amendment and a Senator Humphrey floor amendment.

*Checked 10/22/76*

BACKGROUND

This bill consists of two principal amendments -- one for the food stamp program and one for the Supplemental Security Income (SSI) program. (A detailed discussion appears in OMB's enrolled bill memo at Tab A.)

Food Stamp Amendment

The Food Stamp amendment would make optional a provision which, since 1973, has required States to offer welfare recipients the option of having the charge for food stamps deducted from their welfare checks and the coupons mailed with their welfare payments. The program, called public assistance withholding (PAW), has been fully implemented in only 23 States. The reasons that so many States have failed to comply are the administrative complexity, cost, and mail theft of coupons which may occur with the withholding program. H.R. 13500 would eliminate the legal requirement and make PAW optional to the States.

This is a desirable change which has widespread support of State and local governments, and the Departments of Agriculture and HEW.

Supplemental Security Income (SSI) Amendment

This is the controversial section of the bill. The amendment would require that annual cost-of-living increases in the Federal SSI benefit be passed on to all SSI beneficiaries.



The proposal is significant because of the unique Federal-State partnership which exists in the SSI program. The intent of the law was to create a Federally-administered program with uniform national rules for the needy aged, blind, and disabled. A Federal benefit floor was established, as was an automatic annual cost-of-living escalator.

Upon implementation of the program, States were permitted (and in some cases required) to supplement the Federal benefit. Twenty-three States chose (or were required) to do so in a comprehensive fashion.

Since then, as the Federal payment floor increases with the cost-of-living, States which supplement Federal benefits are faced with three optional courses of action:

1. Pass on the increase to SSI recipients;
2. Don't pass on the increase, and use the funds to offset the State supplemental payment; or
3. Pass on a portion of the Federal increase and use the remainder to offset State spending.

It should be noted that, to date, virtually all States have passed on Federal cost-of-living increases to recipients. Only recently (notably in New York) have some State legislatures begun to balk at passing on the full increase.

There are currently about 3.5 million recipients of Federal SSI benefits, 1.3 million of whom receive State supplements. It is only this latter group which is potentially affected by this law.

#### Arguments in favor of the amendment

- It would guarantee that Federal cost-of-living increases would be passed on to 1.3 million aged, blind, and disabled persons with no significant Federal budgetary impact.
- It would head off expected political criticism of the Administration's lack of compassion for this group of needy individuals.



Arguments against the amendment

- It would place undesirable Federal strictures on States' authority and responsibility to decide how to spend their tax dollars. This is totally inconsistent with Administration policy and our prior positions on this same issue.
- It would not materially affect the lives of many SSI beneficiaries since past experience indicates that the great majority of States voluntarily pass on Federal increases to SSI recipients.

STAFF RECOMMENDATIONS

Your Assistant for Intergovernmental Affairs reports that the public interest groups are quite cautious on this bill because of divisions among their members and a hesitation to record a veto recommendation which they may favor on substantive grounds but which appears to reflect a lack of compassion.

Therefore, the National Governors' Conference and NACo both strongly endorse the food stamp amendment. However, neither one takes a position on the SSI amendments, although NACo strongly urges that you sign the bill.

OMB, Bill Seidman, Max Friedersdorf, and Alan Greenspan recommend disapproval.

Counsel's Office (Kilberg) defers to OMB.

RECOMMENDATION

I recommend that you veto the bill, but I do so reluctantly. On substantive grounds a veto is the right course of action, but it exposes us to criticism for a lack of compassion for 1.3 million aged, blind, and disabled persons.

Since the bill has no real Federal budgetary impact, there is no fiscal reason not to sign it. If you choose to sign H.R. 13500, a signing statement is not necessary, but one is provided at Tab C.

DECISION

Sign the bill at Tab B.  
Approve the signing statement at Tab C.

Veto the bill and sign the memorandum of disapproval at Tab D.      Approve \_\_\_\_\_ Disapprove \_\_\_\_\_





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

OCT 16 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 13500 - Food Stamp Public  
Assistance Withholding and Supplemental Security  
Income Amendments  
Sponsor - Senate Finance Committee Amendment and  
Humphrey floor amendment

Last Day for Action

October 25, 1976 - Monday

Purpose

Makes Public Assistance Withholding (PAW) optional with the States; requires that State PAW administrative costs be paid by the Food Stamp program; requires the "pass-through" by the States to Supplemental Security Income (SSI) recipients of all Federal cost-of-living increases in SSI benefits; requires the disregard of any increase in Federal SSI benefits for determining the Federal contribution to the three "hold harmless" States.

Agency Recommendations

Office of Management and Budget	Disapproval (Memorandum of disapproval attached)
Department of Health, Education, and Welfare	Disapproval (Memorandum of disapproval attached)
Department of Agriculture	Approval of PAW provision and defers to HEW on SSI provisions (Signing statement attached)

Discussion

H.R. 13500 consists of two sections; the first affects the Public Assistance Withholding (PAW) procedure for food stamp distribution to welfare recipients; the second amends the Supplemental Security Income (SSI) program.



H.R. 13500 passed the House by voice vote on October 1, 1976 and passed the Senate on the same day by voice vote.

Public Assistance Withholding (PAW)

PAW is the procedure whereby States may permit food stamp recipients who also receive welfare payments to have the charge for their food stamp coupons deducted from their welfare payment and to have the coupons mailed with their welfare payment.

P.L. 93-86, enacted August 10, 1973, required States participating in the food stamp program to have PAW. The Department of Agriculture extended the implementation deadline for PAW on several occasions because of the difficulty the States were having in its implementation. P.L. 94-182 extended the date for compliance with the PAW requirement to October 1, 1976.

To date, 23 States and Guam have PAW statewide, 10 States offer PAW in some parts of the State, and 17 States, the District of Columbia, Puerto Rico, and the Virgin Islands still have no PAW program.

The States which have not implemented PAW object to its complexity and resulting costliness. Agriculture indicates that implementation of PAW requires secure mail delivery which limits its usefulness in many urban areas. The Administration has proposed making PAW optional with the States instead of a requirement.

H.R. 13500 makes PAW optional with the States and permits States to provide the PAW option in only limited areas of the State. Furthermore H.R. 13500 provides for the State administrative costs for PAW to be paid from food stamp appropriations. Agriculture notes that the provision's legislative history indicates that the Federal share will be 50%, the same as the cost-sharing provisions of the Food Stamp Act. "It is anticipated that enactment of the food stamp provisions will have little or no impact on current program costs" according to Agriculture, since the funding provision merely affirms present Agriculture policy.

Agriculture and HEW support this section of H.R. 13500.

Supplemental Security Income (SSI) Amendments

Background:

The SSI program relieved the States of the task of providing an income floor for the aged, blind, and disabled, and left to the



discretion of the individual States the provision of any supplements to the basic Federal benefit. The House Ways and Means Committee Report on the legislation that established the SSI program, stated that the program:

"...leaves each State completely free either to provide no supplementation of Federal assistance payments or to supplement those payments to whatever extent it finds appropriate in view of the needs and resources of its citizens. Each State would also retain complete freedom to revise at any time its determination of whether and to what extent it would supplement the Federal payments."

Under present law, when there is a Federal cost-of-living increase in Federal SSI benefits, States which supplement the SSI benefit are free to reduce the amount of their supplement by the amount of the Federal increase.

H.R. 13500:

H.R. 13500 requires that for a State which is providing SSI supplementary payments to be eligible for Title XIX (Medicaid) Federal matching funds, either (1) it must pass through to SSI beneficiaries the amount of any Federal cost-of-living increase in SSI benefits without reducing its State supplementary payments, or (2) it must spend, during the 12 months after a Federal SSI cost-of-living benefit increase, as much on supplementary payments as it did during the previous 12-month period.

The first option, commonly referred to as mandatory pass-through, eliminates the freedom of a State to reduce or even completely eliminate its supplementary SSI payments. The second option poses serious administrative difficulties for the Secretary of Health, Education, and Welfare. It requires that the Secretary prospectively determine whether or not a State's expenditures for a forthcoming 12-month period would at least equal the expenditures in the preceding 12-month period. The difficulties involved with making prospective determinations are complicated by the fact that the Secretary would have only estimates of, not the actual expenditures in, the preceding 12 months.

H.R. 13500 also continues the Federal fiscal protection against increased State costs and perpetuates these "hold harmless" payments at their current level to three States--Wisconsin, Massachusetts, and Hawaii. (Attached is an explanation of the "hold harmless" provision in the SSI program.) Without this provision, the "hold harmless" payments would diminish each year and be completely eliminated by fiscal year 1981. This provision would permanently continue the "hold harmless" payments to the three States, and would cost the Federal Government \$72 million in the next 5 fiscal years, with an additional \$25 million in each fiscal year thereafter.

Interest groups representing the needy aged, blind, and disabled strongly favor enactment of the enrolled bill. The pass-through provision would help protect SSI beneficiaries receiving State supplements from the effects of inflation, because Federal SSI cost-of-living increases would largely have to be passed through to SSI beneficiaries since States could not reduce their SSI supplements by the amount of such Federal increases.

The Administration has previously strongly opposed an identical amendment to H.R. 8911 "on policy grounds as well as the inability to administer the escape clause relating to the overall State level of expenditures for SSI supplementation." That amendment was adopted by the House by a vote of 317-52.

#### Agency Recommendations

Agriculture recommends approval of the PAW provisions and defers to HEW on the SSI provisions. Agriculture notes that if H.R. 13500 is not approved, all States will be required to implement PAW.

HEW recommends disapproval. The Department supports the PAW provisions but strongly opposes the SSI provisions in Section 2. Section 2 would seriously distort the original intent of the SSI program. It would encourage States to maintain in the future all variations in State supplementary payment levels in effect in December 1976, and would require that States making supplementary payments on that date forever share with the Federal Government the fiscal responsibilities of the SSI program. It would give permanent and costly "hold harmless" protection to the three "hold harmless" States, although this protection was intended to cover only a transition period.

The section will impose an administrative burden on HEW "requiring that it make determinations of a seemingly impossible nature."

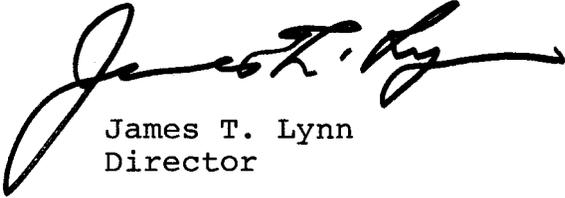
The SSI provisions are directly contrary to a major policy of the Administration that States not be arbitrarily forced to spend specific dollar amounts in order to maintain a prior effort.

The bill would be highly disadvantageous to SSI recipients in States not making supplementary payments in December. "By requiring that any such payments instituted in the future would have to be maintained at the level at which they were instituted, States not making such payments in December would be discouraged from ever doing so."



\* \* \* \* \*

We agree with HEW and recommend disapproval.



James T. Lynn  
Director

Enclosures



The "Hold Harmless" Provision in the SSI Program

Section 401 of P.L. 92-603--the "hold harmless" provision--sought to encourage States to supplement the basic Federal SSI benefit by protecting States against any increase over their calendar year 1972 expenditures for cash assistance payments to the aged, blind, and disabled. In this way, caseload growth as a result of the new SSI program would not work to the fiscal detriment of a State, and the cost of such growth would be funded by Federal dollars. To qualify for the protection of "hold harmless," a State had to meet several requirements: Federal administration of State supplementary payments according to Federal guidelines including eligibility standards and flat grant payment system.

In principle, when a State spent as much as it did in 1972 to finance supplementary payments to SSI recipients in a year, the State's fiscal liability would end and the Federal treasury would finance the supplementary payments to the State's SSI recipients for the remainder of that year. To prevent a State from establishing an excessive level of supplementation at the expense of the Federal treasury, a ceiling was placed on the amount of the supplementary payment that would be charged against the 1972 expenditure levels and protected under the provisions of hold harmless. This ceiling is referred to as the "Adjusted Payment Level" (APL).

In simplified terms, the APL is the average amount paid to an individual aged, blind, or disabled recipient with no outside income in January 1972.

Cost-of-living increases have substantially raised the Federal SSI benefit payment since the start of the SSI program in January 1974. As a result, the Federal SSI benefit is greater than the APL in all but three of the original "hold harmless" States. As the Federal SSI benefit has increased and approached the APL level in Massachusetts, Wisconsin, and Hawaii, the Federal "hold harmless" payment has substantially diminished. "Hold harmless" payments are projected to be completely phased out by fiscal year 1981, unless legislative changes "freeze" current "hold harmless" payments to the three States.

THE WHITE HOUSE  
WASHINGTON

October 21, 1976

Mr. President:

This came in the out box without  
your decision on the signing  
statement.

Jim Cavanaugh



STATEMENT BY THE PRESIDENT

I am today signing H.R. 13500, amendments to the Food Stamp and Supplemental Security Income (SSI) programs.

This Food Stamp amendment gives to the States needed flexibility in deciding how to manage their food stamp programs. It makes optional a previous legislative requirement which was often inappropriate because of its complexity, cost, and the occasional unintended hardships it created.

The bill also has a provision which guarantees that the aged, blind, and disabled recipients of Supplemental Security Income benefits will receive annual cost-of-living increases from the Federal government. Under current law, these increases do not always get passed on to the recipient. However, I think it is important that this guarantee be available. SSI recipients are particularly vulnerable to the ravaging effects of inflation. This bill will at least provide this deserving group a minimum level of protection.



*D*



MEMORANDUM OF DISAPPROVAL

I have withheld my signature from H.R. 13500, a bill which would amend the Supplemental Security Income program and the Food Stamp program.

This bill would require the States, under penalty of losing all Federal funding for their Medicaid programs, to maintain in perpetuity the level of payments they voluntarily add to Federal Supplemental Security Income (SSI) benefits. This would require that States and the taxpayers within those States commit to maintaining present funding levels, irrespective of changes in a State's financial circumstances or of competing social needs.

I have compassion for the needy recipients of the SSI program and fully support annual Federal cost-of-living increases. However, I strongly oppose the Federal government tying the hands of selected State and local governments by mandating that they commit their funds for Federally-specified purposes.

Most States already pass on SSI cost-of-living benefits to recipients. Some States augment these increases with State funds. I applaud such actions, and encourage States to continue granting full cost-of-living increases to the needy. But this desirable end should not be accomplished through coercive legislation which usurps State authority and responsibility.

I regret the fact that by withholding my signature from this bill, I will delay implementation of a positive amendment which would provide States needed flexibility in administering their food stamp program.

Giving States greater discretion in the operation of their programs is a desirable objective. It is unfortunate that this bill is so inconsistent in its view of Federal intrusion on States' responsibilities.





DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

OCT 12 1976

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

Dear Mr. Lynn:

This is in response to your request for a report on H.R. 13500, an enrolled bill "To amend the Social Security Act with respect to food stamp purchases by welfare recipients."

In short, although we support the first section of the enrolled bill, we are strongly opposed to enactment of section 2, and, on balance, recommend that the enrolled bill be vetoed.

The first section of the enrolled bill would add a new section to part A of title IV of the Social Security Act, which would, in effect, permanently replace the requirements of section 10(e)(7) of the Food Stamp Act of 1964. Section 10(e)(7) was added to the Food Stamp Act of 1964 by Public Law 93-86. It requires every State which desires to participate in the food stamp program to provide in its State plan for the institution of procedures under which any household participating in the program shall be entitled, if it so elects, to have the charges, if any, for its food stamp coupon allotment deducted from any grant or payment such household may be entitled to receive under title IV of the Social Security Act and to have its coupon allotment distributed to it with such grant or payment. Many States encountered administrative difficulties in attempting to implement this provision, and as a result, the final date for compliance with the State plan requirement was extended by Public Law 94-182 to October 1, 1976.



The first section of the enrolled bill, although it is an amendment to the Social Security Act, would permanently modify that State plan requirement. Rather than requiring every State to provide to every household in the State receiving aid to families with dependent children (AFDC) the option of having its food stamp charges deducted from its AFDC payment, the enrolled bill would merely authorize States to provide such an option, and would permit them to provide the option in only limited areas of the State. Furthermore, the enrolled bill would provide that any administrative costs incurred by the State agency administering the AFDC plan as a result of instituting the procedures authorized by the amendment would be covered by funds appropriated to carry out the food stamp program.

The Department supports this section. It is consistent with our policy of giving greater discretion to States in the operation of their programs, and in this particular instance, would save many States from the serious difficulties they would otherwise encounter in implementing section 10(e)(7) of the Food Stamp Act.

Section 2(a) of the enrolled bill would add a new section to title XVI of the Social Security Act. That section would, effective with respect to supplemental security income (SSI) benefits payable for months after June, 1977, mandate the "pass-through" to SSI recipients of all Federal cost-of-living increases in SSI benefit amounts by requiring that States agree to maintain their levels of State supplemental payments in effect in December, 1976. Section 2(b) of the enrolled bill would amend section 401 of Public Law 92-603 to, in effect, "hold harmless" on a permanent basis the three States which currently have such status (Massachusetts, Wisconsin, and Hawaii).

Specifically, section 1618(a) of the Social Security Act, which would be added by section 2(a) of the enrolled bill, would require that for a State which makes optional supplementary payments pursuant to section 1616(a) of the Social Security Act, or mandatory payments pursuant to section 212 of Public Law 93-66, to be eligible for



Medicaid reimbursement under title XIX of the Social Security Act with respect to expenditures for any calendar quarter which begins after June 30, 1977, the State must have in effect an agreement with the Secretary whereby the State will continue to make such supplementary payments at the levels in effect in December, 1976. If no supplementary payments were made in that month, but are made in a subsequent month, the agreement which would be required by the enrolled bill would provide that the level at which the payments were instituted in any such subsequent month would be maintained by the State. In the latter instance, if no such agreement were made with the Secretary, the State would become ineligible for Medicaid reimbursement with respect to expenditures for any calendar quarter beginning after the calendar quarter in which it first makes the supplementary payment.

Section 1618(b) of the Social Security Act, which would be added by section 2(a) of the enrolled bill, would provide that, notwithstanding a State's agreement with the Secretary pursuant to the proposed section 1618(a), a State would not be found to be in violation of the requirements of that section with respect to particular supplementary payment levels in any month if the State's overall SSI expenditures in the twelve month period (in which that month falls) beginning on the effective date of any increase in the level of SSI benefits are no less than the State's overall expenditures in the preceding twelve month period.

Section 2(b) of the enrolled bill would amend section 401(a)(2) of Public Law 92-603. The amendment would require that cost-of-living increases, or any other general increase, in Federal SSI benefits becoming effective after June 30, 1977, be disregarded for purposes of determining the amount which the Federal government must contribute to each of the three remaining "hold-harmless" States.

The fiscal liability of certain States under title XVI is limited by section 401 of Public Law 92-603. That section, commonly referred to as the "hold-harmless" provision,

was to be a temporary provision designed to protect States against a sudden and large increase in its aged, blind, and disabled case load caused by a transition to the SSI program. The number of hold-harmless States has been decreasing, and the protection is now limited to Hawaii, Massachusetts, and Wisconsin. The effect of this amendment would be to permit these three States to pass along to SSI recipients Federal benefit increases at no additional cost to each such State. Currently, all other States (which receive no Federal contributions toward their State supplements) may pass along such increases at no additional cost. However, a hold-harmless State loses a portion of its Federal hold-harmless contribution with each such increase, and is therefore required to increase State expenditures if, as would be required by section 2(a) of the enrolled bill, it passes along any such increase.

The Department strongly opposes this provision. Our objections to section 2 are based upon several concerns. First, it would seriously erode the conceptual framework upon which the SSI program has been based. The SSI program was enacted in 1972 in order to transfer to the Federal government the responsibility for financing and administering a uniform program of direct cash assistance to the aged, blind, and disabled. Because of variations in the cost-of-living among the States and the various degrees of commitment by the States to directing limited fiscal resources to the aged, blind, and disabled, States were given the option of supplementing the Federal SSI benefit payments. Furthermore, to protect States against a sudden and large increase in program costs resulting from Federal eligibility criteria which would be broader than was previously the case in certain States, a "hold-harmless" provision was included to protect those States.

Section 2 of the enrolled bill would seriously distort the original intent of the SSI program. It would encourage States to maintain in the future all variations in State payment levels in effect in December, 1976, and would require that all States making supplementary payments on that date forever share with the Federal government the fiscal responsibilities of the SSI program. Furthermore, it would

give permanent "hold-harmless" protection to the three remaining hold-harmless States, notwithstanding that this protection was intended to cover only a transitional period, and would cost an estimated \$72 million over the next five fiscal years, and an additional \$25 million each fiscal year thereafter.

Second, section 2 would impose yet another administrative burden on the Social Security Administration by requiring that it make determinations of a seemingly impossible nature. The enrolled bill implies that the Secretary will be required to monitor State compliance with its agreement. However, a State would be considered to have met the requirements of its agreement if, for any year, it maintains its overall level of expenditures for SSI payments. Thus, if a State's case load expands in any year, or if a State simply redistributes its supplementary payments according to revised standards, it may, in any particular case, reduce the supplementary payment level. Therefore, for the Secretary to determine, with respect to any quarter, if a State is complying with the requirements of the enrolled bill, he must be able to predict for any twelve month period the size of each State's case load and the effect of any redistribution of its supplementary payments on what its overall expenditure for supplementary payments is going to be.

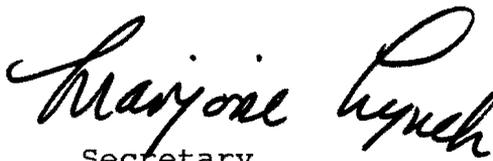
Third, section 2 of the enrolled bill is directly contrary to a major policy principle of this Department and the Administration--that States not be arbitrarily forced to spend specific dollar amounts in order to maintain a prior effort. Financial circumstances may well change over time in a State and it is unreasonable for the Federal government to lock a future State administration into spending funds at a level attained at an arbitrary time in the past, especially when the sanction for not doing so is a complete cut-off of all Federal Medicaid funds. The injustice of this approach becomes even more apparent when one considers that a State which, perhaps by an accident of time, is making no supplementary payments in December, 1976, would not be affected at all by this provision so long as it chose not to make such payments in the future.

Fourth, although the bill would, on the one hand, protect the payment levels of SSI recipients in those States making supplementary payments in December, it would, on the other hand, be highly disadvantageous to the SSI recipients in those States not making such payments on that date. By requiring that any such payments instituted in the future would have to be maintained at the level at which they were instituted, States not making such payments in December would be discouraged from ever doing so.

Fifth, the bill has several technical shortcomings. The way the bill is drafted, it apparently requires only that each State have an agreement with the Secretary. It is not at all clear from the bill that we would have the authority to cut-off Medicaid funds to a State which has an agreement with us, but is not abiding by it. Nevertheless, the bill implies that we are to monitor compliance with each such agreement, and we would undoubtedly be roundly criticized by the Congress were we to take no action against a State which violates its agreement. Furthermore, in the case of any State not making supplementary payments in December, 1976, but which does so at a future date, the bill would merely require the maintenance of the payment level effective with respect to the first month of such payments. Theoretically, a State wishing to make supplementary payments, but not to lock itself into making such payments on a permanent basis, could institute a nominal payment of one cent for the first month and thereby never be required under the bill to maintain a supplementary payment level in excess of that amount.

For all these reasons, we strongly recommend that the President veto the enrolled bill. We have enclosed a suggested veto message.

Sincerely,

  
Secretary

Enclosure

Fact Statement  
H.R. 13500

The enrolled bill, H.R. 13500, consists of two sections. The first section would authorize States to provide every household in the State receiving aid to families with dependent children (AFDC) the option of having its food stamp charges deducted from its AFDC payment. If this provision is not enacted, States would be required, effective October 1, 1976, to provide every such household such an option.

Section 2 of the enrolled bill would, in general, require States to maintain their levels of supplementary payments in the supplemental security income (SSI) program in effect in December, 1976. This requirement could be waived only if a State maintains its overall SSI expenditures at the level of the preceding year. The Secretary would be required to terminate the Medicaid eligibility of any State which, effective July 1, 1977, is not meeting conditions which would be imposed by the bill.

Veto Message - H.R. 13500

This bill includes an amendment to the program of Supplemental Security Income for the Aged, Blind and Disabled that I find to be unacceptable. I am vetoing the bill because it contains provisions that constitute a Federal intrusion on the rights and responsibilities of State governments to decide how they will use State resources to fund their own State programs.

The Supplemental Security Income program was enacted in 1972 in order to transfer to the Federal Government the responsibility for financing and administering a national program of direct cash assistance to the aged, blind and disabled. The Federal benefit level is increased annually as the cost of living increases.

When the program was initiated, the Congress recognized that conditions among the States varied and gave States the option of supplementing the basic Federal benefit in accordance with each State's decision as to the use of its resources and the needs of its citizens.

I believe this is an appropriate division of responsibility and that each State, reflecting the will of its residents, should be free to decide whether and to what extent it wishes to provide additional assistance.



This bill would require the States, under penalty of losing all Federal funding for its Medicaid program, to maintain the level of supplemental payments the State is providing in December 1976, regardless of any future cost-of-living increase in the Federal benefits. Most States can pass-through the cost-of-living increase without any increase in State costs and most States have done this in the past. But this requirement would lock States into a commitment to maintain the present level of funding regardless of any future changes in a State's financial circumstances or of the desire of the State to reassess its funding of this and other public service programs.

Furthermore, this provision would treat States unevenly, and needy aged, blind and disabled persons in States unevenly, since States that do not now supplement the Federal benefit are not required to do so and, in fact, will be discouraged from doing so in the future since any supplement initiated after December 1976 must be maintained permanently.

Ostensibly, the purpose of the amendment is to guarantee that recipients of Federal Supplemental Security Income payments will receive the full benefit of any future cost-of-living increase in the Federal benefit level. In fact, individuals would not be protected against a decrease in the supplemental payment which could negate all or part of the Federal benefit increase, since the requirement applies to maintenance of the aggregate level of State expenditures, not directly to amounts paid to individuals.



Another provision of the bill would perpetuate Federal participation in funding of the State supplement in three States. The enabling legislation for this program provided that, for a transitional period, the States would be protected against any sharp increase in their assistance costs. Six States benefitted from this provision initially but three of those are no longer eligible for Federal assistance. This provision freezes Federal participation in State supplemental costs for the other three States and protects only those three States from assuming full financial responsibility for its supplemental program.

Because I find that it is unreasonable for the Federal Government to lock a future State administration into a commitment of State funds, and because of the inequitable effects of these provisions, I am vetoing this bill.

The bill also includes an amendment that would provide the States more flexibility in the handling of food stamp purchases of welfare recipients. Giving States greater discretion in the operation of their programs is desirable and it is unfortunate that the Congress is so inconsistent in its view of Federal intrusion on State's responsibilities. However, a delay in this area, pending reintroduction of this amendment in the next session of Congress, is not as harmful as the permanent distortion of Federal and State responsibilities with respect to the Supplemental Security Income program that would result if this bill is enacted.





DEPARTMENT OF AGRICULTURE  
OFFICE OF THE SECRETARY  
WASHINGTON, D. C. 20250

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

October 12, 1976

Dear Mr. Lynn:

This is in reply to your request for a report on the enrolled enactment of those provisions of H.R. 13500 pertaining to the Food Stamp Program. The bill would amend the Social Security Act to permanently reinstate Public Assistance Withholding (PAW) as the option of the State agencies operating the Food Stamp Program and to require that the States' administrative costs for offering PAW be paid from Food Stamp Program funds. PAW is the procedure whereby States may permit food stamp recipients who so elect to have their food stamp purchase requirement deducted from their public assistance payments and to have their food stamps distributed to them with their public assistance payments.

The Department has no objection to the President's approval of those provisions of the bill pertaining to the Food Stamp Program. The Department defers to the Department of Health, Education, and Welfare on the other provisions of the bill since they concern the supplemental security income program which is under that Department's jurisdiction.

If the food stamp provisions of H.R. 13500 are not enacted, all States will be required to implement PAW in accordance with Public Law 94-182. In the three years since mandatory PAW was added to the Food Stamp Act of 1964, 23 States and Guam have implemented PAW Statewide and 10 States offer PAW in some parts of the State. Seventeen States, the District of Columbia, Puerto Rico, and the Virgin Islands have not yet begun implementing PAW. The States that have not implemented PAW have not done so because they object to its complexity and, thus, its costliness. Also, its success depends on secure mail delivery which limits its usefulness in many urban areas. The Administration recognizes these valid considerations of the States and in its October 1975 proposals to reform the Food Stamp Program recommended the replacement of mandatory PAW with PAW at State option.

H.R. 13500 also provides for USDA funding of States' PAW costs. The statute provides that "Administrative costs incurred by a State plan for aid and services to needy families with children...in connection with the food stamp program shall be paid from funds appropriated to carry out the Food Stamp Act of 1964, as amended," which appears to require a Federal share of 100 percent. However, there is clear



Honorable James T. Lynn, Director

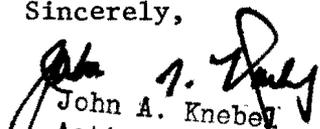
2

legislative history which indicates that the Federal share shall be the same as the cost-sharing provisions of the Food Stamp Act, i.e., 50 percent. (Senate Report No. 94-1345, page 3.) The Department does not object to this provision since PAW costs are clearly costs of operating the Food Stamp Program and, thus, the Department already pays 50 percent of such costs if States include PAW costs in their budgets for food stamp issuance.

It is anticipated that enactment of the food stamp provisions of H.R. 13500 will have little or no impact on current program costs since the bill's provision permanently reinstating optional PAW would have the effect of preserving the status quo and, in our opinion, the funding provision would merely affirm present policy.

Accordingly, in the interest of Departmental/State agency relationships, program efficiency, and cost effectiveness, it is recommended that the President approve the food stamp provisions of H.R. 13500.

Sincerely,

  
John A. Knebel  
Acting Secretary



STATEMENT FOR THE PRESIDENT

ON SIGNING H.R. 13500 -

PUBLIC ASSISTANCE WITHHOLDING AT STATE OPTION

The food stamp portion of H.R. 13500 will make public assistance withholding permanently optional with each State. This provision is responsive to the needs of several State governments and is representative of the true spirit of cooperation which exists between the Federal government and the States in the administration of the Food Stamp Program.

Public Assistance Withholding (PAW) is a procedure under which food stamp recipients may have their food stamp purchase requirement deducted from their public assistance payment and, then, have their food stamps distributed directly to them along with their public assistance check. Current law requires PAW procedures to be available in all areas of each State. Some States and local communities, however, have found the procedures extremely difficult and costly to implement. In fact, in many areas PAW procedures have been found to be unnecessary and inappropriate.

In response to these problems encountered by the States, my Administration recommended, as a part of a comprehensive food stamp reform proposal, that the PAW procedures be made optional with each State. By making PAW optional, each State will be able to decide whether or not it is feasible or appropriate to use the PAW method of distributing food stamps to welfare recipients.



Further, under the normal Federal/State cost sharing provisions of the Food Stamp Act, the Department of Agriculture will continue to pay the Federal share of the PAW costs if the States include such costs in their budgets for food stamp issuance.

I applaud the effort of Congress in passing the food stamp portions of this bill to meet the needs of the States as recommended by my Administration and I sincerely hope the 95th Congress will act expeditiously on the additional Food Stamp Program reforms which are so desperately needed.



THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: October 28

Time: 900pm

FOR ACTION: Spencer Johnson  
Max Friederick  
*afu* Bobbie Kilberg  
Steve McConahey  
Bill Seidman *vetu*

cc (for information): Jack Marsh  
EdmSchmults  
Mike Duval

FROM THE STAFF SECRETARY

DUE: Date: October 19

Time: 500pm

SUBJECT:

H.R.13500-Food Stamp Public Assistance Withholding  
and Supplemental Security Income Assistance

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

please return to gudy johnston, ground floor west wing



PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

K. R. COLE, JR.  
For the President

Signing Statement for H.R. 13500

I am today signing H.R. 13500, amendments to the Food Stamp and Supplemental Security Income (SSI) programs.

The Food Stamp amendment <sup>gives</sup> grants to the States needed flexibility in deciding how to manage their food stamp programs. It makes optional a previous legislative requirement which was <sup>often times</sup> ~~sometimes~~ inappropriate because of its complexity, cost, and the occasional unintended hardships it created.

The bill also has a provision which guarantees that the aged, blind, and disabled recipients of Supplemental Security Income benefits will receive annual cost-of-living increases from the Federal government. Under

current law, these increases do not always get passed on, but I think it is imperative that this important guarantee be <sup>available</sup> granted. SSI recipients are particularly vulnerable to the ravaging effects of inflation. This bill will at least provide this deserving group a minimum level of protection.

*to the recipients. However, that this*



THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.: 12

Date: October 18

Time: 900pm

FOR ACTION: Spencer Johnson  
Max Friedersdorf  
Bobbie Kilberg  
Steve McConahey  
Bill Seidman

cc (for information): Jack Marsh  
Ed Schmults  
Mike Duval

Alan Greenspan  
Robert Hartmann

FROM THE STAFF SECRETARY

DUE: Date: October 19

Time: 500pm

SUBJECT:

H.R.13500-Food Stamp Public Assistance Withholding  
and Supplemental Security Income Assistance

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

*refer to omb*

*Kelly 10/19/76*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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James M. Cannon  
For the President



THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.: 12

Date: October 18

Time: 900pm

FOR ACTION: Spencer Johnson  
Max Friedersdorf  
Bobbie Kilberg  
Steve McConahey  
Bill Seidman ✓

cc (for information): Jack Marsh  
Ed Schmults  
Mike Duval

Alan Greenspan  
Robert Hartmann

FROM THE STAFF SECRETARY

DUE: Date: October 19

Time: 500pm

SUBJECT:

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For Necessary Action

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*Disapproval*  
*JWS*

**PREFER OMB VETO STATEMENT**

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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James M. Cannon  
For the President

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

October 19, 1976

MEMORANDUM FOR JAMES CANNON

FROM: ALAN GREENSPAN 

This is in response to your request for my comments on H. R. 13500. I urge a Presidential veto of H. R. 13500 with the use of the draft OMB Memorandum of Disapproval.

If enacted, H. R. 13500 would require that the states maintain at least their current funding in what had been the "optional" state supplementation in SSI. This violates the intent of the SSI program to allow individual states, on the basis of their perception of the needs of the recipients and the state's resources, to determine the extent of their participation, if any, in this program. It is important for economic reasons to maintain this variable benefit feature of the SSI program. In addition, it is inappropriate for the Federal Government to unilaterally require that states maintain participation in a program they entered under the impression that they had the option of withdrawal.



Date: October 18

Time: 900pm

FOR ACTION: Spencer Johnson  
Max Friedersdorf  
Bobbie Kilberg  
Steve McConahey  
Bill Seidman

cc (for information): Jack Marsh  
Ed Schmults  
Mike Duval

Alan Greenspan  
Robert Hartmann

FROM THE STAFF SECRETARY

DUE: Date: October 19

Time: 500pm

SUBJECT:

H.R.13500-Food Stamp Public Assistance Withholding  
and Supplemental Security Income Assistance

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

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For Your Comments

Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

*Recommend  
Disapproval.*

*mf*



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James M. Cannon  
For the President

MEMORANDUM OF DISAPPROVAL

I have withheld my signature from H.R. 13500, a bill which would amend the Supplemental Security Income program and the Food Stamp program.

This bill would require the States, under penalty of losing all Federal funding for its Medicaid program, to maintain the level of Supplemental Security Income (SSI) supplementary payments which they provided in December 1976, regardless of any future increase in Federal SSI benefits. This would lock States and the taxpayers within the State into a commitment to maintain present funding levels irrespective of changes in a State's financial circumstances or of competing needs in other sectors, including education, health, welfare, and other areas.

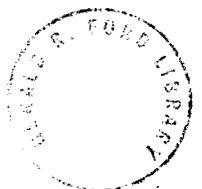
This congressional intrusion on the responsibilities of State governments is at odds with the explicit intent of Congress when it enacted the SSI program of making State supplementary payments optional with the States and is, therefore, contrary to the understandings of the States which chose to provide SSI supplementary payments.

This bill would discourage States that do not now supplement the Federal SSI benefit from ever doing so since any State which desired to assist the aged, blind, and disabled after December 1976 would be reluctant to undertake an obligation that could never be modified.

Because I find that it is unreasonable for the Federal Government to lock a State administration into a perpetual commitment of State funds, and because of the inequitable and potentially adverse impact of these provisions, I am not signing this bill.



The bill also includes an amendment that would provide the States more flexibility in the handling of food stamp purchases of welfare recipients. Giving States greater discretion in the operation of their programs is desirable and it is unfortunate that the Congress is so inconsistent in its view of Federal intrusion on State's responsibilities. However, a delay in this area, pending reintroduction of this amendment in the next session of Congress, is not as harmful as the permanent distortion of Federal and State responsibilities with respect to the Supplemental Security Income program that would result if this bill is enacted.



Date: October 18

Time: 900pm

FOR ACTION: Spencer Johnson  
Max Friedersdorf  
Bobbie Kilberg  
Steve McConahey  
Bill Seidman

cc (for information): Jack Marsh  
Ed Schmults  
Mike Duval

Alan Greenspan  
Robert Hartmann ✓

FROM THE STAFF SECRETARY

DUE: Date: October 19

Time: 500pm

SUBJECT:

H.R.13500-Food Stamp Public Assistance Withholding  
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ACTION REQUESTED:

For Necessary Action

For Your Recommendations

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Draft Reply

For Your Comments

Draft Remarks

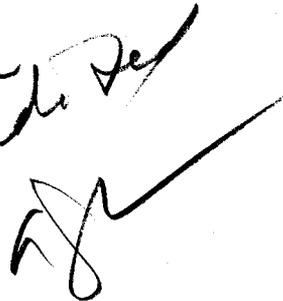
REMARKS:

please return to judy johnston, ground floor west wing

10/19 - Copy sent for researching. nm

10/19 - Researched copy returned. nm

*Bring me to end  
regarding statements etc. See*



PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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James M. Cannon  
For the President

STATEMENT FOR THE PRESIDENT

ON SIGNING H.R. 13500 -

PUBLIC ASSISTANCE WITHHOLDING AT STATE OPTION

*Not used  
Judy Johnston*

The food stamp portion of H.R. 13500 will make public assistance withholding permanently optional with each State. This provision is responsive to the needs of several State governments and is representative of the ~~the~~ spirit of cooperation which exists between the Federal government and the States in the administration of the Food Stamp Program.

Public Assistance Withholding (PAW) is a procedure under which food stamp recipients may have their food stamp purchase requirement deducted from their public assistance payment and ~~then~~ have ~~their~~ food stamps distributed directly to them along with their public assistance check. Current law requires PAW procedures to be available in all areas of each State. Some States and local communities, however, have found the procedures extremely difficult and costly to implement. In fact, in many areas PAW procedures have been found to be unnecessary and inappropriate.

In response to these problems encountered by the States, my Administration recommended, as a part of a comprehensive food stamp reform proposal, that the PAW procedures be made optional with each State. By making PAW optional, each State will be able to decide whether or not it is feasible or appropriate to use the PAW method of distributing food stamps to welfare recipients.



~~Further,~~ <sup>U</sup>nder the normal Federal/State cost sharing provisions of the Food Stamp Act, the Department of Agriculture will continue to pay the Federal share of the PAW costs if the States include such costs in their budgets for food stamp issuance.

I applaud the effort of Congress in passing the food stamp portions of this bill to meet the needs of the States as recommended by my Administration and I sincerely hope the 95th Congress will act expeditiously on the additional Food Stamp Program reforms which are so ~~desperately~~ <sup>badly</sup> needed.



THE WHITE HOUSE

10/19/76 - 8:30 am

ACTION MEMORANDUM

WASHINGTON

LOG NO.: 12

Date: October 18

Time: 900pm

FOR ACTION: Spencer Johnson  
Max Friedersdorf  
Bobbie Kilberg  
Steve McConahey  
Bill Seidman

cc (for information): Jack Marsh  
Ed Schmults  
Alan Greenspan  
Robert Hartmann  
Mike Duval

FROM THE STAFF SECRETARY

413  
to 10/19 9:30 AM

to DJS  
10/19 4:11 AM

DUE: Date: October 19

Time: 500pm

SUBJECT:

H.R.13500-Food Stamp Public Assistance Withholding  
and Supplemental Security Income Assistance

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

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James M. Cannon  
For the President



MEMORANDUM OF DISAPPROVAL

*ok/jme*

*Attached  
your backup*

I have withheld my signature from H.R. 13500, a bill which would amend the Supplemental Security Income program and the Food Stamp program.

*Attached  
your backup*

This bill would require the States, under penalty of losing all Federal funding for its Medicaid program, to maintain the level of Supplemental Security Income (SSI) supplementary payments which they provided in December 1976, regardless of any future increase in Federal SSI benefits. This would lock States and the taxpayers within the State into a commitment to maintain present funding levels irrespective of changes in a State's financial circumstances or of competing needs in other sectors, including education, health, welfare, and other areas.

This congressional intrusion on the responsibilities of State governments is at odds with the explicit intent of Congress when it enacted the SSI program of making State supplementary payments optional with the States and is, therefore, contrary to the understandings of the States which chose to provide SSI supplementary payments.

This bill would discourage States that do not now supplement the Federal SSI benefit from ever doing so since any State which desired to assist the aged, blind, and disabled after December 1976 would be reluctant to undertake an obligation that could never be modified.

Because I find that it is unreasonable for the Federal Government to lock a State administration into a perpetual commitment of State funds, and because of the inequitable and potentially adverse impact of these provisions, I am not signing this bill



*Oh*  
The bill also includes an amendment that would provide the States more flexibility in the handling of food stamp purchases of welfare recipients. Giving States greater discretion in the operation of their programs is desirable *Oh* and it is unfortunate that the Congress is so inconsistent in its view of Federal intrusion on State's responsibilities. However, a delay in this area, pending reintroduction of this amendment in the next session of Congress, is not as harmful as the permanent distortion of Federal and State responsibilities with respect to the Supplemental Security Income program that would result if this bill is enacted.



STATEMENT FOR THE PRESIDENT

ON SIGNING H.R. 13500 -

PUBLIC ASSISTANCE WITHHOLDING AT STATE OPTION

*oh/jml*

The food stamp portion of H.R. 13500 will make public assistance withholding permanently optional with each State. This provision is responsive to the needs of several State governments and is representative of the true spirit of cooperation which exists between the Federal government and the States in the administration of the Food Stamp Program.

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In response to these problems encountered by the States, my Administration recommended, as a part of a comprehensive food stamp reform proposal, that the PAW procedures be made optional with each State. By making PAW optional, each State will be able to decide whether or not it is feasible or appropriate to use the PAW method of distributing food stamps to welfare recipients.



Further, under the normal Federal/State cost sharing provisions of the Food Stamp Act, the Department of Agriculture will continue to pay the Federal share of the PAW costs if the States include such costs in their budgets for food stamp issuance.

I applaud the effort of Congress in passing the food stamp portions of this bill to meet the needs of the States as recommended by my Administration and I sincerely hope the 95th Congress will act expeditiously on the additional Food Stamp Program reforms which are so desperately needed.



*ok/jmc*

This bill includes an amendment to the program of Supplemental Security Income for the Aged, Blind and Disabled that I find to be unacceptable. I am vetoing the bill because it contains provisions that constitute a Federal intrusion on the rights and responsibilities of State governments to decide how they will use State resources to fund their own State programs.

The Supplemental Security Income program was enacted in 1972 in order to transfer to the Federal Government the responsibility for financing and administering a national program of direct cash assistance to the aged, blind and disabled. The Federal benefit level is increased annually as the cost of living increases.

When the program was initiated, the Congress recognized that conditions among the States varied and gave States the option of supplementing the basic Federal benefit in accordance with each State's decision as to the use of its resources and the needs of its citizens.

I believe this is an appropriate division of responsibility and that each State, reflecting the will of its residents, should be free to decide whether and to what extent it wishes to provide additional assistance.



This bill would require the States, under penalty of losing all Federal funding for its Medicaid program, to maintain the level of supplemental payments the State is providing in December 1976, regardless of any future cost-of-living increase in the Federal benefits. Most States can pass-through the cost-of-living increase without any increase in State costs and most States have done this in the past. But this requirement would lock States into a commitment to maintain the present level of funding regardless of any future changes in a State's financial circumstances or of the desire of the State to reassess its funding of this and other public service programs.

Furthermore, this provision would treat States unevenly, and needy aged, blind and disabled persons in States unevenly, since States that do not now supplement the Federal benefit are not required to do so and, in fact, will be discouraged from doing so in the future since any supplement initiated after December 1976 must be maintained permanently.

Ostensibly, the purpose of the amendment is to guarantee that recipients of Federal Supplemental Security Income payments will receive the full benefit of any future cost-of-living increase in the Federal benefit level. In fact, individuals would not be protected against a decrease in the supplemental payment which could negate all or part of the Federal benefit increase, since the requirement applies to maintenance of the aggregate level of State expenditures, not directly to amounts paid to individuals.

Another provision of the bill would perpetuate Federal participation in funding of the State supplement in three States. The enabling legislation for this program provided that, for a transitional period, the States would be protected against any sharp increase in their assistance costs. Six States benefitted from this provision initially but three of those are no longer eligible for Federal assistance. This provision freezes Federal participation in State supplemental costs for the other three States and protects only those three States from assuming full financial responsibility for its supplemental program.

Because I find that it is unreasonable for the Federal Government to lock a future State administration into a commitment of State funds, and because of the inequitable effects of these provisions, I am vetoing this bill.

The bill also includes an amendment that would provide the States more flexibility in the handling of food stamp purchases of welfare recipients. Giving States greater discretion in the operation of their programs is desirable and it is unfortunate that the Congress is so inconsistent in its view of Federal intrusion on State's responsibilities. However, a delay in this area, pending reintroduction of this amendment in the next session of Congress, is not as harmful as the permanent distortion of Federal and State responsibilities with respect to the Supplemental Security Income program that would result if this bill is enacted.

