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January 20, 1975

SUBJECT: ADMINISTRATION PLANS TO INCREASE
THE PRICE OF FOOD STAMPS

According to an editorial, the Ford Administration had planned to increase the price of food stamps so that everyone would be paying 30% of their income for food, rather than 27%. Some reports say the Administration has now backed down and is preparing to junk the proposed increase.

Has the Administration backed down and given up on the idea of an increase in the price of food stamps?

GUIDANCE: On Friday, the Agriculture Department issued its draft regulations as required under the law to change the matching rates for individual food stamps from 27% to 30%, effective March 1.

*\$100 a month, (\$70 over limit. Now pay \$21 for \$150 worth of stamps
old way = \$18.40)*

Why is the Administration increasing the cost of food stamps from 27% to 30% for those who are least able to bear these costs?

GUIDANCE: The previous formula for food stamps was a very complicated and involved program. The revised program provides the same matching rate for all participants in the program. As an individual's income increases, his financial share stays the same, a flat 30% of available income, thus giving him the incentive to earn additional income.

Also, I might point out that this 3% increase in the rates will save over \$325 million annually.

Any detailed questions can be answered by the U.S. Department of Agriculture.

JGC

FOOD STAMPS

Question

Why is the Administration raising the price of food stamps?

Answer

In view of the urgent need to control the growth of Federal expenditures, it was decided that an adjustment would be made in the price that recipients pay for their food stamp allotment. We decided that a straight 30 percent purchase requirement that all households pay the same percentage of net income for their food stamps provides the greatest fairness to all.

This action is part of a national budget reduction of \$3.3 billion in FY 1975 and \$17.4 billion in FY 1976 designed to slow inflation. I believe that it is fair and proper to ask program participants to share with the general taxpayer in paying the rising costs of the Food Stamp Program.

Background

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 FY 1975. That is still well above the \$2.8 billion in Federal costs for food stamps during FY 1974.

Food Stamps (continued)

A purchase requirement of 30 percent of net income would raise costs to recipients by \$7 per month for a family of four making \$200 a month -- from \$53 to \$60 for \$154 in food stamps, or a bonus of \$94.

M. Duval (N.R.)
1/31/75

THE WHITE HOUSE

WASHINGTON

January 31, 1975

MEMORANDUM FOR: RON NESSEN

FROM: NORM ROSS

SUBJECT: Food Stamp Proposal

President Ford announced in his budget message of November 26, and repeated in his State of the Union Message that an adjustment would be made in 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 to slow the growth in the rate of Federal expenditures.

Points which should be emphasized:

- In view of the urgent need to control the growth of Federal expenditures it was decided to implement a straight 30 percent purchase requirement since requiring all households to pay the same percentage of net income for their food stamps provides the greatest fairness to all.
- By weighing 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 improve program performance -- and do it now -- the President decided it was fair and proper to ask program participants to share with the general taxpayer in paying the rising costs of the Food Stamp Program.
- This action is part of a national budget reduction of \$3.3 billion in FY 1975 and \$17.4 billion in FY 1976, designed to slow inflation.



- 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 FY 1975. That is still well above the \$2.8 billion in Federal costs for food stamps during FY 1974.
- Impact on Participants: A purchase requirement of 30 percent of net income would raise costs to recipients by \$7 per month for a family of four making \$200 a month -- from \$53 to \$60 for \$154 in food stamps, or a bonus of \$94.

Attached is a more detailed discussion of food stamp program adjustments.

cc: Jim Cavanaugh
John Carlson
Mike Duval

Benefit Levels

CURRENT BENEFIT SCHEDULE: The dollar value of the monthly allotment is based on the purchasing power required to attain federal nutritional standards. Beginning in January 1975 monthly allotments are:

\$ 46 for a single person	\$182 for family of 5
\$ 84 for a couple	\$210 for family of 6
\$122 for family of 3	\$238 for family of 7
\$154 for family of 4	\$266 for family of 8

WHAT FAMILIES PAY FOR STAMPS: Families pay for food stamps according to their monthly "net" income. "Net" means the income after deductions for all payroll taxes, union dues, medical expenses over \$10 a month, child care costs for working mothers, housing expenses in excess of 30 percent of income, and some other items.

A four-person household with a net monthly income of \$150 after allowable deductions (which average 23% of gross income) would, as of January 1, pay \$41 for \$154 in food stamps. Under the new purchase requirements proposed to take effect March 1, that household would pay \$45 for its food stamps. Food stamps will continue to be free to any family of three or more with "net" income less than \$30 a month, or any couple or individual with monthly "net" income less than \$20.

B



Purchase Requirement Related to Income

<u>Purchase requirement as a percentage of:</u>	<u>Current Program</u>	<u>Proposed Change</u>
	<u>Percent</u>	<u>Percent</u>
FNS net income	23	30
All money income	18	24
Total income*	12	16

* Including value of food stamp benefits and in-kind value received from other Federal programs such as Public Housing and Medicaid. Income data relate to November 1973.

Source: Income data based on National Survey of Food Stamp Program conducted by Chilton Research Services

c

Food Stamp Benefit Increases

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. This "escalator" provision was mandated by Public Law 93-86, effective Jan. 1, 1974.

As a result, the coupon allotment has been increased 3 times -- so that participants in the Food Stamp Program have been insulated against increases in food prices.

If the price of food goes up, the amount of coupons allotted to participating families is increased by a corresponding amount.

Here is the record of the increases in the coupon allotment for a family of four:

July 1971 through June 1972	\$108 a month] X
July 1972 through June 1973	\$112 a month	
July 1973 through December 1973	\$116 a month	
January 1974 through June 1974	\$142 a month	
July 1974 through December 1974	\$150 a month	
January 1975 through June 1975	\$154 a month	

And most all of that increase, each time the allotment has been increased, has been paid by an increase in the bonus paid by the Federal Government. The amount which the participant pays -- the Purchase Requirement -- has stayed virtually the same.

D



Food Stamp Standard Income Deductions

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 include:

- ° Ten percent of earned income or training allowance not to exceed \$30 per household per month,
- ° Mandatory income deductions such as Local, State, and Federal income taxes, Social Security taxes, retirement payments, union dues, and some types of garnishments.
- ° Medical costs, exclusive of special diets, if more than \$10 a month.
- ° Payments for child or invalid care when this care is necessary to enable a household member to accept or continue employment or participant in job training.
- ° Tuition and required fees for education. This does not include such expenses as books, school supplies, meals at school and transportation.
- ° Unusual expenses such as losses due to fire, hurricane, flood, or theft and costs of funerals.
- ° Court-ordered support and alimony payments.
- ° "Shelter costs" which are more than 30 percent of household income as calculated after all other deductions. Shelter costs are: utilities, rent, mortgage payments and interest on applicant's own home, and real estate taxes and special State or local assessments on applicant's own home.

E



FOOD COST AND FOOD STAMP ISSUANCE

Fiscal Year	: Cost of	: Consumer	:	:	Average Bonus	
By	: Economy	: Price	: Food Stamp	:	Per Person	
Quarter	: Food Plan	: Index,	: Issuance	:	Current	Constant
	: For Family	: Food at	: For Family	:	Dollars	Dollars*
	: of 4	: Home	: of 4	:		
	<u>Dollars</u>	<u>Index 1967=100</u>	<u>Dollars</u>		<u>Dollars</u>	<u>Dollars</u>
<u>1973</u>						
I	\$114.60	123.0	\$112		\$14.80	\$12.07
II	115.10	124.0	112		14.49	11.73
III	121.80	130.8	112		14.55	11.16
IV	128.93	137.6	112		14.50	10.53
<u>1974</u>						
I	137.50	146.3	116		15.29	10.40
II	140.27	151.1	116		15.16	10.09
III	148.37	158.0	142		19.81	12.55
IV	151.80	159.8	142		19.51	12.17
<u>975</u>						
I	153.67	163.0	150		20.70	12.70
II	158.10	168.4	150		20.87	12.39

----- PERCENT -----

1975: II Change From

1973: II	37.4	35.8	33.9	44.0	5.6
1974: II	12.7	11.5	29.3	37.7	22.8

Preliminary

*Derived by dividing average bonus per person by the CPI index for food at home.

February 7, 1975

SUBJECT:

FOOD STAMPS

Why doesn't the President do something about the abuses of the food stamp program?

GUIDANCE: It is my understanding that food stamps are administered by the States, based on cooperative agreements between the Food Nutrition Agency in USDA and the various State agencies; in most cases that is the States' Welfare agency. The food stamps are not distributed directly by the U.S. Department of Agriculture.

I'd also like to point out that the Administration is taking steps to correct abuses of the program. A previous regulation which disallowed college students from collecting food stamps was ruled unconstitutional. A new regulation has been drafted in the last month which states that any student whose family claims that student as a dependent, and that family is not a recipient of food stamps, then that student is not eligible for the food stamp program. This is expected to save several million dollars.

*Question asked by Brokaw
2 on Feb 6*

JGC

March 3, 1975

SUBJECT:

FOOD STAMPS

According to a staff report of the Senate Committee on Nutrition and Human Needs, the food stamp program is falling further behind in taking care of all those eligible. According to the report, only 38% of those eligible were getting Federal food assistance. The staff report laid much of the responsibility on the unnecessarily burdensome requirements and restrictive policies and practices of the U.S. Department of Agriculture.

What is your reaction to the Senate Committee report that the practices of the Department of Agriculture are preventing the majority of those eligible for food stamps from getting them?

GUIDANCE: The President is aware of these problems and has directed the Secretary of Agriculture to develop legislative recommendations for the reform of the food stamp program. These recommendations are to be to the President by April 1. These recommendations will then be considered and forwarded to the Congress within the time limits prescribed under Senate Resolution 58, passed by the Congress in January. The law calls for the President's recommendations to be to the Congress no later than June 30.

I might point out, however, that the state Social Service Agencies administer the food stamp program. Under current law, the Federal government pays 50% of the states' administrative costs. We do recognize that there has been a tremendous increase in the number of persons eligible for food stamps, but are encouraging the states to improve the administration of the food stamp program.



March 20, 1975

SUBJECT:

FOOD STAMP SHORTAGE
PREDICTED IN APRIL

The Agriculture Department confirmed yesterday that there could be a food stamp shortage next month, particularly in the Northeastern and Southeastern part of the country.

What is the Administration doing to insure that there will not be a food stamp shortage?

GUIDANCE: I have talked with the Department of Agriculture today, and they have assured me that there will be no shortage of food stamps. They simply don't have the backlog, but there will be plenty of stamps to operate the program for all those who qualify, as is now the case. The printers have the paper, the ink, and the schedule to meet the demands of the program.

JGC



-5-

May 5, 1975

SUBJECT:

ONE BILLION DOLLAR FISCAL YEAR '75
SUPPLEMENTAL FOR FOOD STAMPS AND
CHILD NUTRITION

\$200 M more because of Congress

The President today is transmitting to the Congress a request for \$1 billion in supplemental appropriations for this fiscal year for the food stamp and child nutrition programs. This supplemental request is necessary to finance substantial increases in the number of participants in the programs and more liberal reimbursement rates. The increase in the average number of households estimated to participate in the food stamp program this year has increased from 15 million in the budget request to 18 million. This increase in necessary funding is significantly larger than it would have been had the Administration's proposal for food stamp cost sharing been accepted by the Congress.

However, in response to Senate Resolution 58, the Department of Agriculture is working to develop recommendations to focus benefits on families with the greatest need and to provide administrative reforms. The results of this study will be available to the Congress by the end of the month.

Food stamp program	\$885 million
Child nutrition	125
Special milk program	<u>5</u>
	\$1,015 million

Copies of the President's letter and other data will be available in the press office following the briefing.



June 11, 1975

SUBJECT:

SENATE VOTES TO EASE
FOOD STAMP RULES

The Senate yesterday passed legislation allowing persons to self-certify that they qualify for food stamps. Present law requires an applicant for food stamps to be investigated and certified eligible before an "authorization to purchase" card is issued, a process that often takes six weeks or more.

Under the Senate proposal, applicants would be authorized to purchase food stamps right away, if they promised to repay the government if a subsequent investigation showed ineligibility.

What is your reaction to the Senate passed bill allowing self-certification for food stamps?

GUIDANCE: We oppose this proposal; we prefer not to implement a "self-declaration" system for food stamp recipients because we fear it would lead to a major increase in the number of people taking part in the program who were ineligible.

We feel that self-certification would be extremely difficult to administer, and trying to get people to repay the Government if a subsequent investigation showed ineligibility would probably be almost impossible.

JGC

June 13, 1975

SUBJECT:

COURT RULES FOOD STAMP PLAN INADEQUATE

The U. S. Court of Appeals yesterday ordered the Department of Agriculture to revise and increase food stamp benefits for the 19.6 million persons who receive them. The Court held that the current system does not insure that all recipients will receive a nutritionally adequate diet. It also said that the benefits were too low even to provide the Department's economy plan diet.

Is the Administration planning to appeal the decision by the U.S. Court of Appeals declaring the food stamp plan inadequate?

GUIDANCE: The decision was just handed down yesterday, and it is my understanding that the Department of Agriculture is now in the process of reviewing the Court's opinion and based on that review, will determine the appropriate steps to take in response to the Court's action.

JGC

June 30, 1975

SUBJECT:

USDA TO SUBMIT REPORT ON
FOOD STAMP REFORMS

Is the President today submitting to Congress proposals to reform the food stamp program?

GUIDANCE: In February, the Senate passed Senate Resolution 58 calling upon the Secretary of Agriculture to make a study of the food stamp program and come up with recommendations for improving it. Therefore, the Department of Agriculture is transmitting to Congress administrative proposals to improve the administration of the program, reduce abuse, and increase accountability. These recommendations do not address the eligibility issue and the benefit structure issue.

Since these are administrative proposals, do you need concurrence of Congress to enact these reforms?

GUIDANCE: We are proposing that these reforms be enacted in law. Some of these reforms could be implemented unilaterally by the Administration, and we felt that in terms of effectiveness, the best way to do this was to have the concurrence of Congress and have it enacted in law.

What about the long-term problem of eligibility and benefits?

GUIDANCE: The Domestic Council is working with the Department of Agriculture and other agencies looking at this whole area of eligibility and benefits.

When would you expect to have some proposals on these subjects?

GUIDANCE: The Domestic Council is working as rapidly as possible and the recent Court of Appeals case gave the Administration 120 days in which to come up with a new benefits structure. We are still in the process of reviewing and or analyzing that court case, and once we have a better feel of what can be done in the decision of that case, we will have a better idea of our time frame.

JGC

August 7, 1975

SUBJECT:

McGOVERN CHARGES FOOD STAMP
DATA SUPPRESSED

Senator McGovern yesterday charged that the Ford Administration suppressed portions of a food stamp report by the Department of Agriculture which showed the number of persons enrolled in the program will be declined by 1980 and that the program's cost will remain about the same over the next five years, and that food stamps stimulate the economy by providing jobs, farm income, retail sales, and tax revenues above the administrative costs.

Did the Administration suppress portions of the food stamp report, and if so, why?

GUIDANCE: USDA did present a draft report to OMB for their review. OMB, after reviewing the report, did challenge some of the material stating that some of their facts were made on questionable economic assumptions, while other parts of the report were not germane.

For example, OMB challenged one portion of the report which assumes that participation in the food stamp program by 1980 will decrease by 20%. This statement is based on the assumption that the unemployment rate will drop from the current 8.4% to 4.5% by the end of the decade, and that disposable income will rise 12% each year through 1980. OMB could find no historical precedent for these assumptions.

The non-germane parts were largely background material relating to income distribution in general, rather than the food stamp program.

If the Administration was unhappy with USDA assumptions, why weren't the assumptions revised rather than deleting the section?

GUIDANCE: The Administration has no objection to this draft report material being available for public discussion and debate. However, it was not published simply because we did not think that the estimates and economic assumptions were supportable through available economic analysis techniques. Almost everyone agrees that any economic forecasting beyond two years is very difficult and imprecise.

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September 29, 1975

SUBJECT:

FOOD STAMP PROGRAM ERROR

According to the Washington Star, the Food Stamp Program paid \$797 million to people who didn't qualify for food stamps, or in overpayments to those receiving them, during Fiscal Year '75.

Do you have any reaction to the almost one billion dollar error in the food stamp program?

GUIDANCE: The Administration has recognized for some time that there are defects in the state-operated food stamp program. As you are aware, the food stamp program is operated by state agencies, and not the Federal government.

The President recommended a reform of the program in January, which was voted down by the Congress. A Domestic Council-led task force has been examining alternative reforms of the program for the last several months, and Administration witnesses will be testifying before the responsible Congressional Committees on possible reform ideas in early October.

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JGC

February 10, 1976

SUBJECT:

FOOD STAMPS

This morning's New York Times had a story that the Administration was considering bypassing Congress by making administrative changes in the food stamp program, rather than waiting for Congressional action.

Is the Administration going to make administrative changes? If so, when? What will be the Congressional reaction?

*Working very hard to take
admin action to correct.*

GUIDANCE: The Administration has been looking into the possibility of taking administrative actions to tighten up food stamp eligibility regulations. It is still in the exploratory phase, and the study is being conducted by the Department of Agriculture. I can give you no decision date because we have not yet seen the results of the study.

As for Congressional reaction, it appears that some members of Congress expect the President to take administrative actions on the food stamp program. As you know, the President sent up legislation to limit eligibility and eliminate legal abuses of the program on Oct. 20, but to date there has not been great evidence of progress on his proposal.

ME

February 24, 1976

SUBJECT:

FOOD STAMPS

What is the President's reaction to the progress made yesterday by the Senate Agriculture Committee on food stamp reform? If the committee sends to the floor a bill that the President favors, will he rescind his decision to make administrative changes in the food stamp program?

GUIDANCE: The President is pleased with the progress that is being made in the Senate Agriculture Committee, and he believes that, even with administrative reforms, we still need a solid piece of food stamp reform legislation.

However, he requested legislation last October, and the Congress has moved very slowly, and there is of course no way to calculate how long it will take for the whole Congress to act upon this critical issue.

Therefore, the President felt he had to use the authority given him to make administrative changes (if no Congressional action were taken by January 1, 1976). He has thus requested USDA to place proposed administrative changes in the Federal Register, where they will be reviewed for comment for 30 days. We expect these to be aired in the Register within the next week.

If the Congress during this time passes a bill along the lines of the President's October proposal, he will of course be very pleased.

ME

February 25, 1976

SUBJECT:

FOOD STAMPS--UPDATE FROM
FEBRAURY 24

What is the President's reaction to progress made by the
Senate Agriculture Committee on food stamp reform?

GUIDANCE: The President continues to believe that the best way to reform the Food Stamp program is through legislation. He is pleased, therefore, at the progress made by the Senate Agriculture Committee but is concerned that the Senate's bill does not go far enough in controlling costs and concentrating benefits on those below the poverty level.

ME

April 7, 1976

SUBJECT:

FOOD STAMPS

Yesterday the Senate continued debate on the food stamp bill, and appeared to reach a compromise solution that would substantially lessen government savings (from the committee bill) yet would close some loopholes.

What is your reaction to the action taken yesterday by the Senate on the food stamp bill? Is it something the President could support?

GUIDANCE: Many of the principles of food stamp reform advocated by the President have been included in the current Senate version of the bill.

However, we are disappointed with the levels of the proposals being discussed by the Senate-- levels which would not concentrate on those who are truly poor and which do not eliminate participation at higher income levels.

*Opposed to bill. Continued
adm. reforms.*

ME

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However, we are disappointed with the levels of the proposals being discussed by the Senate-- levels which would not concentrate on those who are truly poor and which do not eliminate participation at higher income levels.

ME

June 21, 1976

SUBJECT: FOOD STAMP INJUNCTION

On Friday morning U.S. District Court Judge John L. Smith postponed indefinitely the implementation of the Administration's food stamp reform initiatives. Because of the rather unusual decision made by the Judge, the Department of Justice and USDA did not make an immediate decision on how to proceed.

QUESTION: What does the President
plan to do next? Will he ask the judge's decision be
appealed?

The Department of Justice and USDA are currently reviewing the judge's decision. They should be making their recommendation to the President in the next day or two; until then, I cannot predict what the next step will be.

In any case, the President remains committed to his goal of reforming the food stamp program.

ME

August 10, 1976

SUBJECT:

FOOD STAMP BILL--HOUSE

Yesterday the House Agriculture Committee cleared a food stamp bill that would implement certain "reforms," including taking strikers off food stamp rolls, but would only result in an approximate savings of \$80 million of Federal funds.

What is the Administration's reaction to this bill?

As you know, the President proposed a major overhaul of the food stamp program last October, and attempted to implement administrative reforms last spring.

His bill would have saved the American people \$1.2 Billion, whereas the House Ag bill is estimated to save only \$80 million in Federal money. However, we have not had a chance to do a thorough analysis.

ME

SUBJECT:

FOOD STAMP FIGURES

Yesterday the wrres carried a story that the Administration had revised its figures on a) how many people would be affected by the food stamp changes, and b) how much money would be saved. The new figures are \$1 billion saved (vs. 1.2 billion), and 8-1/2 million people hurt (vs. 10 million).

Why did the Administation change its mind? iddn't you do the study carefully enough the first time?

~~These are the~~ The previous figures were simply old figures; they were done four to five months ago. They we e used by the plaintiff in the suit, but the Administration was using them only as "ballpark" figures. The figures mentioned yesterday are updated figures ~~that should~~ based upon & updated criteria; these are the figures the Justice Department will be using in court.

This does not reflect a change in policy; merely a change in numbers.

New numbers:

1 million people helped
8 1/2 " " hurt
3 " unchanged