

**The original documents are located in Box 52, folder “8/9/76 HR14514 Cashout of Food Stamps for Supplemental Security Income Beneficiaries in California” of the White House Records Office: Legislation Case Files at the Gerald R. Ford Presidential Library**

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APPROVED  
AUG 10 1976

8/10/76

THE WHITE HOUSE  
WASHINGTON  
August 9, 1976

ACTION  
Last Day: August 11

Statement  
issued  
8/11/76

MEMORANDUM FOR  
FROM:  
SUBJECT:

THE PRESIDENT  
JIM CANNON *JC*  
H.R. 14514 - Cashout of Food  
Stamps for Supplemental  
Security Income Beneficiaries  
in California

To Archives  
8/11/76

Attached for your consideration is H.R. 14514, sponsored by Representative Corman.

The enrolled bill would allow California to remain a food stamp "cashout" State if it continues to make cost-of-living adjustments in its State SSI supplementary payments, passes through to SSI beneficiaries a specified part of the Federal cost-of-living increase in SSI payments in 1976, and passes through all future Federal cost-of-living increases.

A detailed discussion of the provisions of the enrolled bill report is provided in OMB's enrolled bill report at Tab A.

OMB, Max Friedersdorf, Counsel's Office (Lazarus) and I recommend approval of the enrolled bill and the proposed signing statement which calls attention to problems with the bill and the need for comprehensive food stamp reform legislation. The White House Editorial Office (Smith) has approved the text of the statement.

RECOMMENDATION

That you sign H.R. 14514 at Tab B.

That you approve the signing statement at Tab C.

Approve   *J*   Disapprove \_\_\_\_\_





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

AUG 5 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 14514 - Cashout of food stamps for Supplemental Security Income (SSI) beneficiaries in California  
Sponsor - Rep. Corman (D) California

Last Day for Action

August 11, 1976 - Wednesday

Purpose

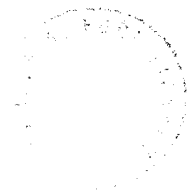
Allows California to remain a food stamp "cashout" State if it continues to make cost-of-living adjustments in its State SSI supplementary payments, passes through to SSI beneficiaries a specified part of the Federal cost-of-living increase in SSI payments in 1976, and passes through all future Federal cost-of-living increases.

Agency Recommendations

Office of Management and Budget	Approval (Signing statement attached)
Department of Health, Education, and Welfare	Approval (Signing statement attached)
Department of Agriculture	Defers to HEW

Discussion

H.R. 14514 seeks to address a situation now facing the State of California because--unlike the few other "cashout" States--it prefers to increase direct State financial support to SSI recipients rather than initiate a food stamp program for those recipients. Federal legislation to deal with this problem was urged by the Governor and the legislature of California.



## Background

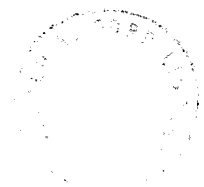
On January 1, 1974, the effective date of the SSI program, States which elected to supplement the Federal SSI benefit beyond the level required to "grandfather" beneficiaries converted from the State public assistance rolls were permitted to "cash out" food stamps by increasing their supplement by \$10 per month in lieu of offering food stamps to SSI beneficiaries. This extra payment, intended to represent, in effect, the bonus value of food stamps, was federally financed.

Under current law, to be eligible for such a "cashout", a State must be a recipient of Federal "hold-harmless" payments. Hold-harmless payments, designed to protect States from an increase in State costs over those incurred in 1972, are associated with the Federal requirement to assure that beneficiaries on the State rolls prior to 1974 would receive no less under the SSI program than under the former State public assistance program of aid to the aged, blind and disabled. As these beneficiaries fall off the rolls and Federal SSI benefit levels increase, States no longer receive "hold-harmless" payments. California ceased to be eligible for hold-harmless payments on July 1, 1976, but wishes to remain a "cashout" State, i.e., to not make food stamps available to its SSI recipients.

## Summary of enrolled bill

H.R. 14514 would permit California to retain its "cashout" status as long as it meets the following conditions:

1. California would have to continue the State law in effect June 1, 1976, which requires periodic State cost-of-living increases under the State's supplementary payments program.
2. California would also have to pass through to SSI recipients the full amount of all future cost-of-living (CPI) increases in the Federal SSI payment, in addition to the increases required under State law.
3. For this calendar year, California could attribute to the July State supplement level increase \$7 of the \$10 per month CPI increase in the Federal SSI payment to individuals (proportionately more for couples) which became effective in July 1976, thereby reducing the State costs for supplementation.



If California decides to give up its cashout status, it could not be regained.

When H.R. 14514 was scheduled for House floor action, the Administration opposed its passage on the grounds that it would help only California, to the exclusion of all other States, and because it could establish a costly precedent leading to requiring all States to pass through Federal CPI benefit increases to SSI recipients. The bill was opposed by all the minority members of the House Ways and Means Committee and was passed by the House by a vote of 210 to 179. It passed the Senate in identical form by voice vote.

On the House floor, Congressman Ketchum offered a substitute which would simply have permitted California to remain a "cashout" State without any conditions. His proposal was defeated 162-227.

#### Arguments for approval

1. States should have maximum discretion to determine the purposes of their State expenditures. The bill would honor California's preference to increase financial assistance to SSI recipients rather than diverting money to finance and administer a food stamp program for such recipients--which, from a long-range policy point of view, is in the right direction.

2. Since H.R. 14514 is predicated on California's own choice as to whether or not to remain a "cashout" State, HEW does not believe the conditions set forth in the bill are inconsistent with its past opposition to efforts to limit the optional nature of State supplementary payments programs, including any requirement that States pass through to SSI recipients Federal CPI increases. California would be free at any time to elect to provide food stamps and, should it do so, it would no longer be subject to the cost-of-living requirements in H.R. 14514.

3. California estimates that the Federal/State cost of administering the food stamp program for SSI recipients in the State would be \$62 million, while the total food stamp bonus value would be only \$24 million. Implementation of a food stamp program for SSI beneficiaries would therefore not be cost effective.

4. There would be no added Federal cost to implement H.R. 14514. There would, in fact, be a Federal budget saving which we estimate to range between \$50-\$70 million a year, representing the bonus value of food stamps for SSI beneficiaries in California and the associated food stamp administrative costs, which are 50% federally financed.

5. As an argument that SSI recipients would not be adversely affected, advocates of the bill point to the fact that California is increasing its State supplementation for SSI by \$14 this year under its State cost-of-living law, a greater increase than in any other State except Alaska. Moreover, after one year, full Federal benefit increases would have to be passed along to SSI beneficiaries in California, unlike other States which can use the Federal increases to reduce their supplementation.

6. California officials indicated to the House Committee that they expected only one-third of the SSI recipients in the State to participate in the food stamp program if they became eligible. Under the enrolled bill, on the other hand, all California SSI recipients would receive additional cash rather than mere food stamp eligibility, and the elderly would not be faced with the difficulties of reporting income and being certified for food stamps.

#### Arguments against approval

1. H.R. 14514 would allow special treatment for only one State; the two other States which lost hold-harmless status on July 1, 1976--New York and Nevada-- have decided to provide food stamps to their SSI recipients. Permitting California alone to elect not to have SSI recipients receive food stamps could serve as a precedent to encourage other States to seek special exemptions from other national programs. The Ways and Means Committee minority members stated of the bill: "We can find no compelling national justification for its enactment; to the contrary, we believe that its approval only would undermine the sound principle of consistent Federal policy toward all States."

2. The Federal Government should not try to direct California's fiscal affairs by dictating conditions to the State. Approval of the requirement for a pass-through of Federal SSI benefit increases in this bill might be perceived as a shift away from previous Administration

opposition to such mandatory pass-through provisions. Such a provision, to be applicable to all States, is expected to be offered as an amendment to H.R. 8911, a bill containing various SSI amendments, which is expected to reach the House floor shortly.

3. Opponents question California's high estimate of the administrative cost of providing food stamps to SSI recipients, noting that the State already has a food stamp apparatus and that other States have not claimed hardships in providing benefits under the program to their SSI recipients.

4. Opponents also argue that the aged would be losers under the bill, for the benefit of the State budget. They cite that under present law, SSI beneficiaries in California would have an increased benefit level of \$14 per month this year under State law, and \$10 per month under the Federal law CPI provision--for a total of \$24; in addition, they would be eligible for food stamps. Under H.R. 14514, however, the benefit level for SSI recipients in California would increase only \$17, consisting of a \$10 Federal SSI CPI increase and \$7 financed by the State, while they would not be eligible for food stamps.

5. The Ways and Means Committee minority argued that California is really seeking through this legislation to divert funds from food stamp administration in order to provide a 6% increase in benefits to recipients of Aid to Families with Dependent Children (AFDC). They indicated they did not believe the needy aged in the State should be denied access to food stamps for the narrowly designed purpose of responding to other interests within the State, especially since many welfare recipients are able to work, while the elderly usually cannot.

#### Recommendations

HEW recommends approval, primarily on the basis that the bill is consistent with the philosophy of maximizing State discretion to operate State-financed programs as each State determines is appropriate. The Department would, however, prefer that the relationship between the food stamp program and public assistance programs be addressed by comprehensive reform legislation instead of by piecemeal legislation which meets the needs of only one State. Furthermore, HEW is concerned that legislation of this sort poses the danger of establishing a precedent "whereby



other States will expect the enactment of special legislation relieving them of generally applied requirements in order to meet their own particular needs." Nevertheless, HEW does not believe that its concerns are sufficient to warrant disapproval of the enrolled bill. HEW proposes a signing statement addressing these concerns, and urging action on food stamp reform legislation.

Agriculture defers to HEW. Agriculture states that the bill will accomplish four of its important objectives: (1) the food assistance needs of SSI recipients in California are recognized, (2) Federal costs will not be increased as they would be if SSI beneficiaries in California were eligible for food stamps, (3) the administrative burdens and costs of certifying California SSI beneficiaries for food stamps are eliminated, and (4) since the bill is retroactive to July 1, 1976, the issue of food stamp eligibility for SSI recipients in California is resolved.

\* \* \* \* \*

We share HEW's concerns about the possible precedential effect of this enrolled bill in providing one State with special legislation. We are also concerned about the possible precedent for mandating a pass-through of Federal CPI increases for all States. Moreover, we agree that comprehensive reform of the relationship between the food stamp and welfare programs would be preferable. Nevertheless, we concur with HEW's conclusion that the objections to the bill are not sufficiently serious to warrant your disapproval.

Accordingly, we recommend that you approve H.R. 14514 and that you issue a signing statement calling attention to the problems with the bill and the need for comprehensive food stamp reform legislation. We have attached a draft signing statement which draws on the draft proposed by HEW.

*James M. Frey*  
Assistant Director for  
Legislative Reference

Enclosures

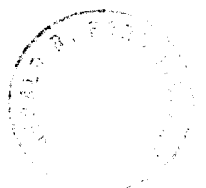


STATEMENT BY THE PRESIDENT

I have today signed with considerable reluctance H.R. 14514, a bill which would permit the State of California to provide direct financial assistance rather than food stamps to beneficiaries of the Supplemental Security Income program in that State, under certain conditions. The Supplemental Security Income program and the food stamp program are both national in scope, and it should not be necessary to enact a special bill because of the situation in a particular State.

The Congress has for many years been aware of the deficiencies in legislation affecting the eligibility for food stamps of Supplemental Security Income recipients. The situation in California is only one result of the failure of the Congress to enact my comprehensive food stamp reform bill which is essential for improved administration of the food stamp program in all States. Making exceptions for special situations is a poor substitute for definitive corrective legislative action on the food stamp program.

Another disturbing aspect of H.R. 14514 is that if California elects to continue to provide cash instead of food stamps after 1976, the bill would require that the State pass through to SSI recipients all cost-of-living increases in the Federal SSI amount. My Administration has opposed the principle of a mandatory pass-through for States in the past, because it would limit the States' discretion to decide their own supplementary benefit levels. I recognize that this legislation would permit California to remove itself from the congressionally imposed restriction upon action by the State legislature. Nevertheless, I do



not believe that the Federal Government should mandate varying levels of SSI benefits in all States simply because a few States in prior years elected to give recipients cash in place of food stamps.

I recognize that some interim resolution of the uncertain situation in California is necessary, in the interest of the senior citizens and other SSI recipients. Therefore, I am signing this bill. I must, however, state my strong objection to the use of such narrowly focused remedies instead of proceeding with the broad reforms that are needed.

I urge the Congress to act without further delay on my food stamp reform proposals that have been before it since October 1975.



*Statement*

I have today signed with considerable reluctance H.R. 14514, a bill which would permit the State of California to provide direct financial assistance rather than food stamps to beneficiaries of the Supplemental Security Income program in that State, under certain conditions. The Supplemental Security Income program and the food stamp program are both national in scope, and it should not be necessary to enact a special bill because of ~~a~~ <sup>the</sup> situation in a particular State.

The Congress has for many years been aware of the deficiencies in legislation affecting the eligibility for food stamps of Supplemental Security Income recipients. <sup>situation in</sup> The California ~~situation~~ is only one result of the failure of the Congress to enact my comprehensive food stamp reform bill which is essential for improved administration of the food stamp program in all States. ~~The practice of making~~ exceptions <sup>for</sup> when special situations ~~are brought to its attention~~ is <sup>a poor</sup> ~~not an appropriate~~ substitute for definitive corrective legislative action on the ~~basic~~ food stamp program.

Another disturbing aspect of H.R. 14514 is that if California elects to continue to provide cash instead of food stamps after 1976, <sup>the bill would require that</sup> ~~it would be mandatory under the bill~~ ~~for the State to~~ pass through to SSI recipients all cost-of-living increases in the Federal SSI benefit. <sup>amounts</sup> My Administration has opposed the principle of a mandatory pass-through for States in the past, because it would ~~limit~~ <sup>remove</sup> the States' <sup>discretion</sup> ~~flexibility~~ to decide ~~upon~~ their own supplementary benefit levels. I recognize that this legislation would permit California to remove itself from



~~the~~ this congressionally imposed restriction upon action by the State legislature. Nevertheless, I do not believe that the Federal Government should mandate varying levels of SSI benefits in all States simply because a few States in prior years elected to give recipients cash in place of food stamps.

~~I am signing this bill as~~ I recognize that some interim resolution of the uncertain situation in California is necessary, in the interest of the senior citizens and other SSI recipients. <sup>Therefore, I am signing this bill.</sup> I must, however, state my strong objection to the use of ~~expedient~~ <sup>such</sup> narrowly focused remedies, ~~rather~~ <sup>instead</sup> ~~than~~ proceeding with the broad reforms that are needed.

I urge the Congress to act without further delay on my food stamp reform proposals that have been before it since October 1975.



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

AUG 5 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 14514 - Cashout of food stamps for Supplemental Security Income (SSI) beneficiaries in California  
Sponsor - Rep. Corman (D) California

Last Day for Action

August 11, 1976 - Wednesday

Purpose

Allows California to remain a food stamp "cashout" State if it continues to make cost-of-living adjustments in its State SSI supplementary payments, passes through to SSI beneficiaries a specified part of the Federal cost-of-living increase in SSI payments in 1976, and passes through all future Federal cost-of-living increases.

Agency Recommendations

Office of Management and Budget	Approval (Signing statement attached)
Department of Health, Education, and Welfare	Approval (Signing statement attached)
Department of Agriculture	Defers to HEW

Discussion

H.R. 14514 seeks to address a situation now facing the State of California because--unlike the few other "cashout" States--it prefers to increase direct State financial support to SSI recipients rather than initiate a food stamp program for those recipients. Federal legislation to deal with this problem was urged by the Governor and the legislature of California.



STATEMENT BY THE PRESIDENT

I have today signed with considerable reluctance H.R. 14514, a bill which would permit the State of California to provide direct financial assistance rather than food stamps to beneficiaries of the Supplemental Security Income program in that State, under certain conditions. The Supplemental Security Income program and the food stamp program are both national in scope, and it should not be necessary to enact a special bill because of the situation in a particular State.

The Congress has for many years been aware of the deficiencies in legislation affecting the eligibility for food stamps of Supplemental Security Income recipients. The situation in California is only one result of the failure of the Congress to enact my comprehensive food stamp reform bill which is essential for improved administration of the food stamp program in all States. Making exceptions for special situations is a poor substitute for definitive corrective legislative action on the food stamp program.

Another disturbing aspect of H.R. 14514 is that if California elects to continue to provide cash instead of food stamps after 1976, the bill would require that the State pass through to SSI recipients all cost-of-living increases in the Federal SSI amount. My Administration has opposed the principle of a mandatory pass-through for States in the past, because it would limit the States' discretion to decide their own supplementary benefit levels. I recognize that this legislation would permit California to remove itself from the congressionally imposed restriction upon action by the State legislature. Nevertheless, I do





not believe that the Federal Government should mandate varying levels of SSI benefits in all States simply because a few States in prior years elected to give recipients cash in place of food stamps.

I recognize that some interim resolution of the uncertain situation in California is necessary, in the interest of the senior citizens and other SSI recipients. Therefore, I am signing this bill. I must, however, state my strong objection to the use of such narrowly focused remedies instead of proceeding with the broad reforms that are needed.

I urge the Congress to act without further delay on my food stamp reform proposals that have been before it since October 1975.



THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: August 6

Time: 915am

FOR ACTION: Spencer Johnson  
Max Friede ~~es~~ <sup>drf</sup>  
Steve McConahey <sup>ad</sup>  
Ken Lazarus <sup>ll</sup>  
Robert Hartmann (Signing statement attached)

cc (for information): Jack Marsh  
Jim Cavanaggh  
Ed Schmults

FROM THE STAFF SECRETARY

DUE: Date: August 6

Time: 530pm

SUBJECT:

H.R. 14515-Cashout of food stamps for Supplemental Security Income Beneficiaries in California

ACTION REQUESTED:

- |   |   |
|---|---|
| <input type="checkbox"/> For Necessary Action         | <input type="checkbox"/> For Your Recommendations |
| <input type="checkbox"/> Prepare Agenda and Brief     | <input type="checkbox"/> Draft Reply              |
| <input checked="" type="checkbox"/> For Your Comments | <input type="checkbox"/> Draft Remarks            |

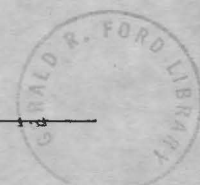
REMARKS:

please return to judy 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







DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

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

AUG 4 1976

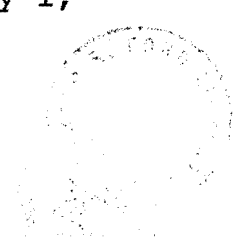
Dear Mr. Lynn:

This is in response to your request for a report on H.R. 14514, an enrolled bill "To permit a State which no longer qualifies for hold harmless treatment under the supplemental security income program to elect to remain a food stamp cashout State upon condition that it pass through a part of the 1976 cost-of-living increase in SSI benefits and all of any subsequent increases in such benefits."

In short, we recommend enactment of the enrolled bill.

Under section 8 of Public Law 93-233, effective January 1, 1974, States which were making optional supplementary payments to recipients of supplemental security income (SSI) pursuant to section 1616(a) of the Social Security Act, the level of which was found by the Secretary to have been specifically increased so as to include the bonus value of food stamps, were given the option of electing "cash-out" status in lieu of providing food stamps to SSI recipients. Six States were originally given the option of cash-out status. Since enactment of P.L. 93-233, there have been several extensions of the statute to continue in effect the cash-out provisions. As a result, this Department interpreted its authority under the law to include annual redeterminations of cash-out status.

In order to be eligible for cash-out status, the law requires, among other things, that a State be eligible for "hold harmless" protection under section 401 of P.L. 92-603. We have determined that, beginning with the transition quarter, the State of California, among others, will no longer qualify as a hold-harmless State under section 401. Therefore, under current law, California is no longer eligible for cash-out status and will, for the period beginning July 1, 1976, be required to make food stamps available to SSI recipients.



Notwithstanding the provisions of current law and the status of the State of California thereunder, the enrolled bill would amend section 8 of P.L. 93-233 to require the Secretary to find that California can retain its cash-out status if that State satisfies certain new conditions which would be imposed by the enrolled bill. In order for California to remain, at its option, a cash-out State, it would have to (1) continue in effect, for the period it desires to retain cash-out status, the State law in effect on June 1, 1976, which requires periodic State cost-of-living increases under the State's supplementary payments program; (2) pass through to SSI recipients \$3.00, in the case of individuals, and \$4.50, in the case of eligible couples, of the Federal cost-of-living increase (\$10.10 in the case of individuals and \$15.20 in the case of eligible couples) which became effective beginning July, 1976, pursuant to section 1617 of the Social Security Act; and (3) pass through to SSI recipients the full amount of all future cost-of-living increases in the Federal SSI payment for the period during which California desires to remain a cash-out State (in addition to paying any future increases in the State supplementation required during such period by the State law as in effect on June 1, 1976). California would be entitled to the cash-out option provided by H.R. 14514 only for the period of consecutive months, beginning July, 1976, during which it meets the conditions imposed by the bill. Once the State surrenders its cash-out status it could not be regained.

In the last fiscal year, there were four cash-out States-- California, Nevada, New York, and Massachusetts. We have determined that only Massachusetts may retain its cash-out status past June 30, 1976. Although Nevada and New York have raised no objection to initiating a food stamp program for SSI recipients, California prefers to provide increased SSI benefits in lieu of food stamps.

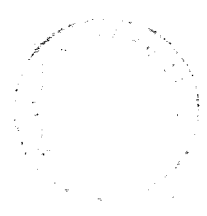
The Department believes that, as a general matter, States should have maximum flexibility to determine the purposes of State expenditures. We have therefore opposed any effort to limit the optional nature of State supplementary payments

programs under section 1616 of the Social Security Act, including any requirement that States pass through to SSI recipients Federal cost-of-living increases under section 1617 of the Social Security Act. States are currently permitted to use such Federal increases to reduce the level of State supplementation.

Although our recommendation to approve the enrolled bill may appear, at first, to be a reversal of our past opposition to Federal interference with optional State supplementary programs, our view of the enrolled bill is consistent with the philosophy upon which our past opposition has been based--maximization of State discretion to operate State-financed programs as each State determines is appropriate.

In this instance, California prefers to continue increasing direct State financial support to SSI recipients rather than diverting such funds to finance and administer a food stamp program for such recipients. Aside from any philosophical considerations regarding the desirability of categorical versus cash assistance, California alleges that the funds necessary to cover the administrative costs of providing food stamps to SSI recipients would be better expended on increased cash assistance. We believe that this is a determination which California should have the right to make. The purpose of requiring California to pass through Federal cost-of-living increases and to continue to provide State cost-of-living increases is to assure that cash will indeed be provided to SSI recipients in lieu of food stamps. Furthermore, although we are opposed to the mandatory pass-through of cost-of-living increases, we believe the conditions the bill would impose upon California are not mandatory, but rather offer that State an additional option not otherwise available, since California would be free at any time to elect to provide food stamps and would then no longer be subject to the cost-of-living increase requirements contained in the enrolled bill.

We are, however, troubled by the manner in which the bill addresses the issue of food stamp eligibility. The relationship between the food stamp program of the Department of



The Honorable James T. Lynn

4

Agriculture and the public assistance programs of this Department would be better addressed by comprehensive reform legislation than by piecemeal legislation meeting the needs of only one State. In addition, legislation of this sort poses the danger of establishing a precedent whereby other States will expect the enactment of special legislation relieving them of generally applied requirements in order to meet their own particular needs. Nevertheless, we do not believe our concern in this regard is sufficiently significant to warrant veto of the enrolled bill.

There would be no additional Federal costs incurred as a result of enactment of this bill.

For the reasons given, we recommend approval of the enrolled bill. Because our support for the bill is qualified, we have enclosed for consideration a draft signing statement.

Sincerely,

  
Under Secretary

Enclosure



DRAFT SIGNING STATEMENT

I am signing this bill with considerable reluctance. The Supplemental Security Income Program and the Food Stamp Program are both national programs and it should not be necessary to enact special bills because of a situation in a particular State.

The Congress has been aware of the deficiencies in legislation affecting the eligibility for Food Stamps of recipients of Supplemental Security Income since the initiation of that program. The California situation is only one result of the failure of the Congress to enact a food stamp reform bill that is essential for improved administration of the food stamp program in all States. The practice of making exceptions when particular situations are brought to its attention is not an appropriate substitute for definitive action on the basic food stamp program.

I am signing this bill as I understand that some interim resolution of the situation in California is necessary, but I must state my strong objection to the use of expedient, narrowly focused remedies rather than proceeding with the broad reforms that are needed. I urge the Congress to act without further delay on the food stamp reform proposals that have been before it for many months.





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

August 4, 1976

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

Dear Mr. Lynn:

This is in reply to a request from your office for a report on the enrolled enactment of H.R. 14514, which would amend P.L. 93-233 to permit California, which no longer qualifies for hold-harmless treatment under the Supplemental Security Income (SSI) program, to elect to remain a food stamp cashout State upon condition that it pass through a part of the 1976 cost-of-living increase in SSI benefits.

Because the Department of Health, Education and Welfare (DHEW) is the Federal agency responsible for administering the SSI program, this Department defers to DHEW's judgment concerning the President's approval of this bill. However, it should be pointed out that the bill will accomplish four important objectives of this Department. First, the food assistance needs of SSI recipients in California are recognized. Second, Federal costs will not be increased as they would be if California SSI recipients became eligible for the minimum food stamp bonus. Third, the administrative burden and costs of certifying these 340,000 recipients for the Food Stamp Program in a short period of time are removed. Fourth, because the bill's provisions are retroactive to July 1, 1976, the issue of food stamp eligibility for SSI recipients in California is resolved.

Sincerely,

*John A. Knebel*  
John A. Knebel  
Under Secretary



THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: August 2

Time: noon

FOR ACTION: Sarah Massengale  
Steve McConahey  
Max Friedersdorf  
Ken Lazarus

cc (for information): Jack Marsh  
Jim Cavanaugh  
Ed Schmults

FROM THE STAFF SECRETARY

DUE: Date: August 3

Time: noon

SUBJECT: appropriation language change for the  
medical facilities construction grant program

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

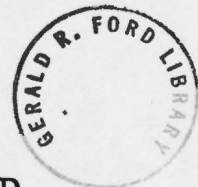
Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

*no objection  
SM 8/3/76*

*P - I called Judy  
at 10:45  
SM*



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.

James M. Cannon  
For the President

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: August 6

Time: 915am

FOR ACTION: Spencer Johnson  
Max Friedersdorf  
Steve McConahey  
Ken Lazarus  
Robert Hartmann (Signing statement attached)

cc (for information): Jack Marsh  
Jim Cavanaugh  
Ed Schmults

FROM THE STAFF SECRETARY

DUE: Date: August 6

Time: 530pm

SUBJECT:

H.R. 14515-Cashout of food stamps for Supplemental Security Income Beneficiaries in California

ACTION REQUESTED:

- |   |   |
|---|---|
| <input type="checkbox"/> For Necessary Action         | <input type="checkbox"/> For Your Recommendations |
| <input type="checkbox"/> Prepare Agenda and Brief     | <input type="checkbox"/> Draft Reply              |
| <input checked="" type="checkbox"/> For Your Comments | <input type="checkbox"/> Draft Remarks            |

REMARKS:

please return to judy johnston, ground floor west wing

No objection -- Ken Lazarus 8/6/76

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.

James M. Cannon  
Staff Secretary to the President



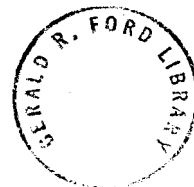
THE WHITE HOUSE  
WASHINGTON

August 6, 1976

MEMORANDUM FOR: JIM CAVANAUGH  
FROM: MAX L. FRIEDERSDORF *M.L.*  
SUBJECT: H.R. 14515 - Cashout of food stamps for  
Supplemental Security Income Beneficiaries  
in California

The Office of Legislative Affairs concurs with the agencies  
that the subject bill be signed.

Attachments



## STATE CASH-OUT STATUS UNDER SSI PROGRAM

JUNE 28, 1976.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

MR. ULLMAN, from the Committee on Ways and Means,  
submitted the following

### REPORT

together with

### MINORITY VIEWS

[Including cost estimate of the Congressional Budget Office]

[To accompany H.R. 14514]

The Committee on Ways and Means, to whom was referred the bill (H.R. 14514) to permit a State which no longer qualifies for hold harmless treatment under the supplemental security income program to elect to remain a food stamp cash-out State upon condition that it pass through a part of the 1976 cost-of-living increase in SSI benefits and all of any subsequent increases in such benefits, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

#### I. GENERAL DISCUSSION

Your Committee bill would allow a state which no longer qualifies for hold harmless treatment under the supplemental security income program to elect to retain food stamp "cash out" status upon condition that it pass through a part of the 1976 cost-of-living increase in SSI benefits and all of any subsequent increases to such benefits.

Under Section 8 of Public Law 93-233, SSI recipients are categorically ineligible to purchase food stamps in those states in which the Federal government is contributing an equivalent amount to the bonus value of food stamps through the states' hold harmless payment pursuant to Section 401 of P.L. 92-603. These states' adjusted payment levels are increased to include the bonus value of food stamps and that bonus value must be part of the Federally administered supplement. In other words, if a state loses hold harmless status, the SSI



recipients become eligible for food stamps, and it is no longer a cash-out state.

On July 1, when the SSI cost-of-living increase takes effect, three states will lose their hold harmless designation. Thus, the SSI recipients in the states of California, New York, and Nevada will be allowed to purchase food stamps.

New York and Nevada at this time have decided to provide food stamps to SSI recipients and have begun an administrative mechanism to accomplish this task. However, the Governor and the State Legislature of California prefer to retain cash-out status for food stamps.

They claim that only one third of the SSI recipients are expected to participate in the food stamp program and where the bonus value of food stamps is low, the total value of the benefit would not be as high as the administrative cost. They estimate that the Federal-state cost of administering the food stamp program would be \$62 million, while the total bonus value of the food stamps would only be \$24 million.

Accordingly, your Committee's bill specifies the conditions under which a state losing hold harmless status may continue to retain food stamp "cash-out" status. A compromise position has been reached which would require that:

1. In Fiscal Year 1977, a state would have to provide for a \$3 increase in the amounts paid to individual SSI recipients and a proportionate increase to couples.

2. In years after FY 1977, a state would have to provide for a pass through of Federal SSI cost-of-living increases or general increases in SSI.

3. If current state law provides for a cost-of-living increase in the state supplementary payments, such an increase may not be counted in determining whether the state has provided for the \$3 increase to individuals and the proportionate increase to couples.

## II. OTHER MATTERS REQUIRED TO BE DISCUSSED

In compliance with clause 7(a) of Rule XIII of the Rules of the House of Representatives, the following statement is made. The Committee found that there would be no Federal cost connected with the implementation of H.R. 14514.

In compliance with clause 2(1)(2)(B) of Rule XI of the House of Representatives, the following statement is made. The bill H.R. 14514 was ordered favorably reported to the House of Representatives by a recorded vote of 15 ayes, 13 noes.

In compliance with clause 2(1)(4) of Rule XI of the House of Representatives, the following statement is made. H.R. 14514 should not have any inflationary impact on prices or on the cost of operation of the national economy because it has no significant cost features.

In compliance with clause 2(1)(3) subdivisions (A), (B) and (D) of Rule XI of the House of Representatives, the following statements are made. With respect to subdivision (A) of clause (3), the Committee's review of the situation addressed by H.R. 14514 revealed that this legislation is warranted.

With respect to subdivision (B) of clause (3), the following statement is made. The bill contains no new budget authority and no tax expenditures.

With respect to subdivision (D) of clause (3), the Committee advises that no oversight findings or recommendations have been made by the Committee on Government Operations with respect to the subject matter of this legislation.

In compliance with Rule XI clause 2(1)(3)(C), a cost estimate for H.R. 14514 prepared by the Congressional Budget Office is contained in Section III of this report.

## III. CONGRESSIONAL BUDGET OFFICE COST ESTIMATE FOR H.R. 14514

CONGRESS OF THE UNITED STATES,  
CONGRESSIONAL BUDGET OFFICE,  
Washington, D.C., June 25, 1976.

HON. AL ULLMAN,  
Chairman, Committee on Ways and Means, U.S. House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to Section 403 of the Congressional Budget Act of 1974, the Congressional Budget Office has prepared the attached cost estimate for H.R. 14514, legislation permitting states in "hold harmless" status under the Supplemental Security Income Program to retain cash-out provisions for Food Stamps.

As you will note, the Congressional Budget Office has indicated that there will be no budgetary cost for any provisions of the Committee bill. Explanations for these determinations are provided in the cost estimate discussion.

Should the Committee so desire, we would be pleased to discuss this cost estimate further with Members or staff.

Sincerely,

Alice M. Rivlin,  
Director.

Attachment.

Cost estimate: The Congressional Budget Office has concluded that there will be no Federal cost in connection with the implementation of H.R. 14514.

Basis for estimate: The shift of SSI recipients in to normal Food Stamp application and determination channels would not alter the benefits to those individuals. Thus, if States elected *not* to retain cash-out provisions, the only costs incurred would be increases in administrative expenses.

H.R. 14514 allows States to retain cash-out provisions and thus saves any increase in administrative expenses resulting from the additional burden on the Food Stamp program. Also, the conditions upon which retention of cash-out provisions is allowed involves only costs to the States and not the Federal government.

## CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of Rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as re-

ported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman) :

### SECTION 8 OF PUBLIC LAW 93-233

AN ACT To provide a 7-percent increase in social security benefits beginning with March 1974 and an additional 4-percent increase beginning with June 1974, to provide increases in supplemental security income benefits, and for other purposes.

\* \* \* \* \*

#### ELIGIBILITY OF SUPPLEMENTAL SECURITY INCOME RECIPIENTS FOR FOOD STAMPS

SEC. 8. (a) (1) Section 3(e) of the Food Stamp Act of 1964 is amended effective only for the 6-month period beginning January 1, 1974 to read as it did before amendment by Public Law 92-603 and Public Law 93-86, but with the addition of the following new sentence at the end thereof: "For the 6-month period beginning January 1, 1974 no individual, who receives supplemental security income benefits under title XVI of the Social Security Act, State supplementary payments described in section 1616 of such Act, or payments of the type referred to in section 212(a) of Public Law 93-66, shall be considered to be a member of a household or an elderly person for purposes of this Act for any month during such period, if, for such month, such individual resides in a State which provides State supplementary payments (A) of the type described in section 1616(a) of the Social Security Act, and (B) the level of which has been found by the Secretary of Health, Education, and Welfare to have been specifically increased so as to include the bonus value of food stamps."

(2) Section 3(b) of Public Law 93-86 shall not be effective for the 6-month period beginning January 1, 1974.

(b) (1) Section 4(c) of Public Law 93-86 shall not be effective for the 6-month period beginning January 1, 1974.

(2) The last sentence of section 416 of the Act of October 31, 1949 (as added by section 411(g) of Public Law 92-603) shall not be effective for the 6-month period beginning January 1, 1974.

(3) For the 6-month period beginning January 1, 1974, no individual, who receives supplemental security income benefits under title XVI of the Social Security Act, State supplementary payments described in section 1616 of such Act, or payments of the type referred to in section 212(a) of Public Law 93-66, shall be considered to be a member of a household for any purpose of the food distribution program for families under section 32 of Public Law 74-320, section 416 of the Agricultural Act of 1949, or any other law, for any month during such period, if, for such month, such individual resides in a State which provides State supplementary payments (A) of the type described in section 1616(a) of the Social Security Act, and (B) the level of which has been found by the Secretary of Health, Education, and Welfare to have been specifically increased so as to include the bonus value of food stamps.

(c) For purposes of the last sentence of section 3(e) of the Food Stamp Act of 1964 (as amended by subsection (a) of this section) and

subsections (b) (3) and (f) of this section, the level of State supplementary payment under section 1616(a) shall be found by the Secretary to have been specifically increased so as to include the bonus value of food stamps (1) only if, prior to October 1, 1973, the State has entered into an agreement with the Secretary or taken other positive steps which demonstrate its intention to provide supplementary payments under section 1616(a) at a level which is at least equal to the maximum level which can be determined under section 401(b) (1) of the Social Security Amendments of 1972 and which is such that the limitation on State fiscal liability under section 401 does result in a reduction in the amount which would otherwise be payable to the Secretary by the State, and (2) only with respect to such months as the State may, at its option, elect.

(d) In any case where—

(1) a finding with respect to the level of a State's supplementary payments under section 1616(a) of the Social Security Act has heretofore been made by the Secretary in accordance with subsection (c) of this section, but

(2) on or after July 1, 1976, the limitation on fiscal liability under section 401 of the Social Security Amendments of 1972 no longer applies so as to reduce the amount which would otherwise be payable to the Secretary by such State, with the result that the finding so made is no longer effective (and that the food stamp eligibility of the households and persons involved is or would be restored),

the Secretary shall nevertheless find upon the request of such State, for the purposes specified in subsection (c) of this section, that the level of such State's supplementary payments has been specifically increased so as to include the bonus value of food stamps during any period in which—

(A) the law of such State requires that there be passed on to all recipients of such payments for any month an amount equal to any portion of the amount payable to an individual with no other income pursuant to section 1611(b) of the Social Security Act for such month, in excess of the amount such an individual would have been so paid if the dollar figures in effect under such section (and section 1611(a) (1) (A) and (a) (2) (A) of such Act) were \$1,977.60 (in the case of such an eligible individual) and \$2,967.60 (in the case of such an individual with an eligible spouse), which results from and would not be payable but for one or more cost-of-living increases occurring in or after 1976 pursuant to section 1617 of such Act or one or more general increases enacted by law in or after 1976 in such dollar figures; and

(B) the amount required to be passed on pursuant to such State law in any month is in addition to any increase in the payment described in section 1616(a) of the Social Security Act, or in the payment made under an agreement entered into under section 212(a) of Public Law 93-66, which is made by or under State law (or would, but for an increase in supplemental security income benefits referred to in subparagraph (A), be so made) and which becomes effective on or before the date on which the increase in supplemental security income benefits (referred to in such subparagraph) is effective.

*If the preceding sentence is not applicable to a State with respect to any period beginning after September 1977 because such State is not in compliance with subparagraph (B), but becomes applicable to such State with respect to a subsequent period upon such compliance, there shall be substituted for the dollar figures specified in subparagraph (A), for purposes of applying such subparagraph with respect to such subsequent period, the corresponding dollar figures which were in effect immediately prior to the beginning of the period during which such subparagraph was not applicable to such State.*

[(d)] (e) Section 401(b)(1) of the Social Security Amendments of 1972 is amended by striking out everything after the word "exceed" and inserting in lieu thereof: "a payment level modification (as defined in paragraph (2) of this subsection) with respect to such plans."

[(e)] (f) The amendment made by subsection (d) shall be effective only for the 6-month period beginning January 1, 1974, except that such amendment shall not during such period, be effective in any State which provides supplementary payments of the type described in section 1616(a) of the Social Security Act the level of which has been found by the Secretary to have been specifically increased so as to include the bonus value of food stamps.

#### MINORITY VIEWS ON H.R. 14514

We are opposed to H.R. 14514 because we believe that it is a wolf in sheep's clothing. It is not, as the majority describes it, simply a means of enabling the State of California to continue to "cash out" food stamps for SSI recipients, upon the condition that the State pass \$3 of the Federal benefit increase of this year and the full amount of future increases through to SSI beneficiaries.

This legislation was conceived by majority members of the California delegation as an expedient means of advancing the interests of that State's administration. We can find no compelling national justification for its enactment; to the contrary, we believe that its approval only would undermine the sound principle of consistent Federal policy toward all States.

As a result of increases in Federal SSI benefits, California will cease to be in the "hold harmless" category on July 1 of this year. In the absence of special legislation, California will lose the option of cashing out food stamps for SSI recipients. Unlike other States facing similar circumstances, California is seeking to avoid implementation of food stamps. Behind this objective lurks a more parochial motive than the stated concern over administrative expense.

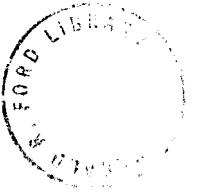
It is apparent that California seeks to divert funds from food stamp administration in order to provide a six percent increase in benefits to AFDC recipients. Such an increase presently is being considered by the legislature, as an addition to the cost-of-living increase which annually is awarded to welfare recipients.

On July 1, the basic Federal SSI benefit will increase from \$158 to \$168. If this bill is not enacted, the California grant for a single aged person, including State supplementation, will increase from \$259 to \$273. SSI recipients would become eligible to purchase food stamps.

If California legislators wish to achieve a greater balance between assistance to the aged and to the AFDC population, the State certainly may do so within the parameters of its own resources. But we cannot participate in a Federal action which would deny the needy aged in that State of access to food stamps, which are generally available elsewhere, for the narrowly designed purpose of responding to other interests within the State.

The fact that many welfare recipients are able to work, while the elderly usually cannot, only magnifies the inappropriateness of this proposed Federal policy. We urge the defeat of this legislation.

JOHN J. DUNCAN.  
 BILL ARCHER.  
 BARBER B. CONABLE, JR.  
 WILLIAM A. STEIGER.  
 GUY VANDER JAGT.  
 PHILIP M. CRANE.  
 WILLIAM M. KETCHUM.  
 HERMAN T. SCHNEEBELI.  
 DONALD D. CLANCY.  
 BILL FRENZEL.  
 JAMES G. MARTIN.  
 L. A. BAFALIS.



# Ninety-fourth Congress of the United States of America

AT THE SECOND SESSION

*Begun and held at the City of Washington on Monday, the nineteenth day of January,  
one thousand nine hundred and seventy-six*

## An Act

To permit a State which no longer qualifies for hold harmless treatment under the supplemental security income program to elect to remain a food stamp cashout State upon condition that it pass through a part of the 1976 cost-of-living increase in SSI benefits and all of any subsequent increases in such benefits.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That (a) section 8 of Public Law 93-233 is amended by redesignating subsections (d) and (e) as subsections (e) and (f), respectively, and by inserting after subsection (c) the following new subsection:

“(d) Upon the request of the State of California the Secretary shall find, for purposes of the provisions specified in subsection (c) of this section, that the level of such State’s supplementary payments of the type described in section 1616(a) of the Social Security Act has been specifically increased for any month after June 1976 so as to include the bonus value of food stamps if—

“(1) the State law as in effect for such month specifically provides for increases in such payments on account of increases in the level of benefits payable under title XVI of the Social Security Act in a manner designed to assure that, whenever a cost-of-living increase in the level of benefits payable under such title XVI becomes effective for any month after June 1976, the amount of the State supplementary payment payable, for each month with respect to which such cost-of-living increase is effective, to any individual or to any individual with an eligible spouse, will be increased by such amount as is necessary to assure that—

“(A) the aggregate of (i) the amount payable for such month to such individual, or to such individual with an eligible spouse, under such title XVI, and (ii) the amount payable for such month to such individual, or to such individual with an eligible spouse, under the State’s supplementary payments program, will exceed, by an amount which is not less than the monthly amount of such cost-of-living increase (plus the monthly amount of any previous cost-of-living increases in the level of benefits payable under title XVI of the Social Security Act which became effective for months after June 1976)—

“(B) the aggregate of the amounts which would otherwise have been payable, to such individual (or to such individual with an eligible spouse), under such title XVI and under the State’s supplementary payments program for such month under the law as in effect on June 1, 1976; and

“(2) such month is (A) the month of July 1976, or (B) a month thereafter which is in a period of consecutive months the first of which is July 1976 and each of which is a month with respect to which the conditions of paragraph (1) are met.

As used in this subsection, the term ‘cost-of-living increase in the level of benefits payable under title XVI of the Social Security Act’ means an increase in benefits payable under such title XVI by reason of the

H. R. 14514—2

operation of section 1617 of such Act; except that the cost-of-living increase in the level of benefits payable under such title XVI which became effective for the month of July 1976 shall be deemed (for purposes of determining the amount of the required excess referred to in the matter following subparagraph (A) and preceding subparagraph (B) in paragraph (1)) to have provided an increase of \$3.00 per month in the case of an individual without an eligible spouse and \$4.50 per month in the case of an individual with an eligible spouse.”

(b) The provision of section 8 of Public Law 93-233 redesignated as subsection (f) by subsection (a) of this section is amended by striking out “subsection (d)” and inserting in lieu thereof “subsection (e)”.

*Speaker of the House of Representatives.*

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

AUGUST 11, 1976

Office of the White House Press Secretary

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THE WHITE HOUSE

## STATEMENT BY THE PRESIDENT

I have signed with considerable reluctance H.R. 14514, a bill which would permit the State of California to provide direct financial assistance rather than food stamps to beneficiaries of the Supplemental Security Income program in that State, under certain conditions. The Supplemental Security Income program and the food stamp program are both national in scope, and it should not be necessary to enact a special bill because of the situation in a particular State.

The Congress has for many years been aware of the deficiencies in legislation affecting the eligibility for food stamps of Supplemental Security Income recipients. The situation in California is only one result of the failure of the Congress to enact my comprehensive food stamp reform bill which is essential for improved administration of the food stamp program in all States. Making exceptions for special situations is a poor substitute for definitive corrective legislative action on the food stamp program.

Another disturbing aspect of H.R. 14514 is that if California elects to continue to provide cash instead of food stamps after 1976, the bill would require that the State pass through to SSI recipients all cost-of-living increases in the Federal SSI amount. My Administration has opposed the principle of a mandatory pass-through for States in the past, because it would limit the States' discretion to decide their own supplementary benefit levels. I recognize that this legislation would permit California to remove itself from the congressionally imposed restriction upon action by the State legislature. Nevertheless, I do not believe that the Federal Government should mandate varying levels of SSI benefits in all States simply because a few States in prior years elected to give recipients cash in place of food stamps.

I recognize that some interim resolution of the uncertain situation in California is necessary, in the interest of the senior citizens and other SSI recipients. Therefore, I am signing this bill. I must, however, state my strong objection to the use of such narrowly focused remedies instead of proceeding with the broad reforms that are needed.

I urge the Congress to act without further delay on my food stamp reform proposals that have been before it since October 1975.

# # #

