



NEWS from U.S. Senator Bob Dole

(R.—Kans.)

New Senate Office Building, Washington, D.C. 20510 (202) 224-6521
FOR IMMEDIATE RELEASE CONTACT: JANET ANDERSON
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DOLE, MC GOVERN, INTRODUCE MAJOR FOOD STAMP REFORM LEGISLATION

WASHINGTON, D.C.—Senator Bob Dole, along with Senator George McGovern (D-S.D.) today introduced a major food stamp reform bill designed to "tighten eligibility requirements in the program, improve the sloppy, wasteful administration by both federal and state agencies, and reduce bureaucratic snarls which have caused delays in getting assistance to the truly needy."

The bill establishes for the first time a ceiling on the amount of income a household may have and still qualify for food stamps and bars college students who are tax dependents of ineligible families from getting stamps.

"Lax eligibility guidelines in the current food stamp program allow some non-needy persons to qualify for assistance," Senator Dole said, "while others who need help have been forced to wait for several weeks to obtain assistance. At the same time, inept administration has resulted in hundreds of millions of dollars in wasted expenditures. Such occurrences not only run counter to the express purpose of the program but are an insult to the American taxpayer who must foot the bill."

"Passage of the simplified administrative procedures and tightened eligibility criteria of this bill along with other reforms could save the taxpayers hundreds of million of dollars in a program which administrators admit has misspent one out of every five dollars. I am hopeful that these reforms of the program, coupled with an improving economy will result in savings of a billion dollars over the next year or two," Dole said.

Senator McGovern said, "I believe this bill represents a realistic and rational approach to food stamps. It also represents a bi-partisan effort to deal with the food stamp issue on the basis of facts, instead of playing politics with human hunger -- whether that politics is Republican or Democratic, liberal or conservative."

"Both Senator Dole and I began with the firm belief that food stamp reform should provide help for all those who are truly in need, on the fairest and most efficient basis, in the most cost-effective manner, with as little abuse or waste as possible. This bill does that. I am convinced that when the scare charges finally die out, when there is serious and sensible food stamp debate, Congress in the end will adopt the practical, equitable kind of food stamp program which this bill offers," McGovern said.

Principal component of the bill is a standard deduction formula which would replace the present cumbersome system of itemized income deductions which are used to compute eligibility for food stamps. The standard deduction of \$125 per month (\$150 if the applicant's household contains an elderly person) will:

- 1) simplify and expedite the application process;
- 2) greatly reduce the error rate in the program by substantially, if not completely, eliminating the 28% of all errors attributable to itemized deductions;
- 3) establish for the first time, maximum after-tax (cash) incomes above which participation in the program would be impossible.

The bill also eliminates a provision in the present law which permits welfare recipients to qualify for food stamps even though they have incomes in excess of the standards established for non-welfare applicants.

The bill will also cut in half the number of food stamps in circulation by doing away with the so-called purchase requirement. Instead, recipients would be given only the bonus value of the stamps, thus saving an estimated \$50-\$100 million in administrative expenses and cutting down on the number of food stamps available for blackmarket and other illegal activities.

A more complete summary of the major features of "The Food Stamp Reform Act of 1975" follows:

STANDARD DEDUCTION

The bill establishes for the first time in the food stamp program a standard deduction formula for the purposes of determining the eligibility and coupon allotments of applicant households. The after-tax deduction of \$125, plus \$25 if the household has an elderly person, will replace the current itemization of deductions employed in determining an applicant's net income.

The use of a standard deduction will have a substantial effect on the administration of the food stamp program:

- It will establish a gross income limitation for the first time
- Reduce the error rate by 28.8%
- Eliminate two of the six pages in the USDA food stamp application, expediting the certification process
- Greatly reduce the lengthy calculations that are now required of food stamp caseworkers.

The \$125 standard deduction represents a reasonable substitute for the current itemization of hardship allowances based on the best estimates of the deductions now being claimed.

Mandatory tax withholdings and disaster or casualty losses are deducted in addition to the standard deduction, as was suggested by the Department of Agriculture. Assistant Secretary Feltner testified before the Nutrition Committee on July 31st that:

Even with a standard deduction it may be desirable also to allow deductions for mandatory tax withholdings and disaster losses. This would assure equity and retain work incentives between households with incomes from public assistance which is not taxed and those with earned income that is taxed.

In addition, this \$125 standard deduction (\$150 if the household contains an elderly person) is modified on a regional, and metropolitan, non-metropolitan basis to reflect variations in the cost of housing and utilities in the different areas of the United States. The following table illustrates the affect of applying the Bureau of Labor Statistics housing index to the standard \$125 deduction:

<u>REGION</u>	<u>BLS INDEX(%)</u>	<u>STANDARD DEDUCTION</u>
<u>NORTHEAST</u>		
Metropolitan	106	\$132.50
Non-metropolitan	96	\$120.00
<u>NORTH CENTRAL</u>		
Metropolitan	97	\$121.25
Non-metropolitan	100	\$125.00
<u>SOUTH</u>		
Metropolitan	94	\$117.50
Non-metropolitan	78	\$ 97.50
<u>WEST</u>		
Metropolitan	113	\$141.25
Non-metropolitan	98	\$122.50

The benefit levels under this standard deduction are as follows:

<u>MONTHLY INCOME</u>	<u>1 PERSON</u>	<u>2 PERSONS</u>	<u>4 PERSONS</u>	<u>8 PERSONS</u>
\$ 0	\$48.00	\$90.00	\$162.00	\$278.00
\$ 100	\$48.00	\$90.00	\$162.00	\$278.00
\$ 200	\$25.50	\$67.50	\$139.50	\$255.50
\$ 300	\$10.00	\$37.50	\$109.50	\$255.50
\$ 400	--	\$10.00	\$ 79.50	\$195.50
\$ 500	--	--	\$ 49.50	\$165.50
\$ 600	--	--	\$ 19.50	\$135.50
\$ 700	--	--	--	\$105.50
\$ 800	--	--	--	\$ 75.50
\$ 900	--	--	--	\$ 45.50
\$1,000	--	--	--	\$ 15.50

The maximum allowable cash (after tax) income based on household size is as follows:

<u>FAMILY SIZE</u>	<u>MAXIMUM INCOME</u>	<u>% OF POVERTY LINE</u>
1	\$4080	152%
2	\$5100	148%
3	\$6420	152%
4	\$7776	144%
5	\$8976	141%
6	\$10176	142%
7	\$11292	127%
8	\$12420	139%

ELIMINATION OF THE PURCHASE REQUIREMENT

The bill provides for elimination of the purchase price. This provision, coupled with institution of the standard deduction and implementation of a uniform benefit reduction ratio (30%) is expected to provide an administrative savings of at least \$50-\$100 million at the current participation levels. This does not include the savings expected from a large reduction in the error rate.

Under this proposal each participating household would receive the same government subsidy which they presently receive. The food stamp benefit would be what is now referred to as the "bonus," the net difference between the allotment and the purchase price.

Elimination of the purchase price will cut in half the number of stamps the government has to print and eliminate billions of dollars in transactions that must be monitored and accounted for.

It would also benefit those persons eligible for the program but not able to raise the purchase price at any one time during the month.

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