

SENATE FINANCE COMMITTEE
MINUTES OF MEETINGS
MARCH 12, 1973

The meeting was called to order at 8:30 a.m. Senator Lamb was in the chair.

PRESENT: Floyd R. Lamb, Chairman
Warren L. Monroe
B. Mahlon Brown
James I. Gibson
William J. Raggio
Clifton Young
Archie Pozzi

Earl Oliver, LCB Fiscal Analyst
John Dolan, Chief Deputy Fiscal Analyst, LCB
Howard Barrett, Budget Director
Cy Ryan, UPI
Ruby Duncan, Welfare Rights Organization
Maya Miller, "
Sis Bergevin, Health Division
Robert List, Attorney General
Dave Tomlinson, Welfare Division
Roxie Claiborne, Welfare Rights Organization

MEAT INSPECTION:

See Attorney General List's presentation to the committee attached.

Senator Lamb said he had taken the liberty of having a bill drafted up with the assistance of the attorney general which would cover regulation and enforcement of standards to retail meat outlets. At the present time Michigan, Massachusetts, New York, and California have similar laws and regulations. While the Meat Inspection Division had the power to regulate this industry, this legislation is needed in order to give them the enforcement powers and funding they lack to do this. Sis Bergevin of the Health Division stated that they plan to integrate this program within the environmental health program and that this would result in a reduction of administrative costs for personnel and office costs, etc.

Senator Raggio said that he assumed that higher grades of hamburger also contained better grades of meat. Mr. List said this could be so, but was not always true because there would be no way for anyone to test the meat and determine what cuts of beef it was derived from. Sis Bergevin also pointed out that high fat content wasn't the only problem, retailers also used cereal, rice, and water as fillers.

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Senator Lamb asked if they funded this if it would stop the problems to consumers. Ms. Bergevin stated that they would have to have regulation authority to do this. Mr. List said the proposed bill would allow the Health Division to set certain standards, regulate and enforce this. He said the problem isn't just peculiar to Nevada, it has happened all over the country. He said they started to receive complaints independent of the Health Division.

Senator Young suggested this would be setting a precedent in that perhaps the state would later require the same sort of regulation in say the fresh fruit industry and noted that the meat inspection would require a \$50,000-\$60,000 additional budget item.

Senator Lamb noted that the committee agreed that if this regulation went into effect its actions would come to the attention of the public, and that such actions would have a beneficial effect on regulation of the industry in that no retailer would want to be written up in the paper as having a poor product.

Senator Raggio said, "If you are going to spend \$60,000 to compile information such as figures indicating substandard practices, which I think is commendable, you should make these available to the consumer." The committee agreed on this.

FOOD STAMPS:

See John Dolan's presentation to the committee titled memorandum in the attached.

Counties must request to participate in the food stamp program. The state must then approve legislation and funding. The Welfare Division must accept responsibility for administering the program, and the U.S. Department of Agriculture is the federal agency charged with administering the program.

Currently the counties pay \$1 to \$1.50 per unit for transportation costs. If the state accepted the food stamp programs they would need to appropriate \$94,000 to pay the distribution charge for transportation.

Mr. Tomlinson of the Welfare Division pointed out that with the commodity food program the counties bear the cost primarily. With food stamps these costs would then be 100% state--the state would fund 70% and the federal government would provide 30% of the costs. If Clark County participated in food stamps it would cost \$438,608 total of which the federal government would fund \$126,717 and the state would fund \$311,891. 2 168

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It costs 80¢ per transaction to either a bank, post office, community action center, or welfare division whenever a recipient purchases food stamps. Mr. Dolan pointed out it costs \$1 to \$1.50 to the counties for this now (for transportation costs), so he felt this was a fair figure and represented a savings.

Food Stamps in Clark County alone would bring the state an additional \$97,500 in sales tax, and would bring \$16,000 to the county in local sales tax (the half cent which goes to the county). It would save Clark County an additional \$134,000 which it presently costs them for the commodity foods. These costs are \$1 to \$1.50 per unit for transportation, cost of the warehouse, and employment of four personnel for the program. These figures do not include a reduction in certification costs which currently employ 18 people, although those 18 people certify county recipients in other welfare areas. Mr. Tomlinson stated that the state would have to hire 26 additional personnel for Clark County workload alone if they went into food stamps. They would need an additional nine people for Washoe County if they adopted them, and if the entire state adopted them they would need 42 new personnel.

Mr. Dolan stated that he went to local supermarkets and priced the costs of items currently offered under commodity foods. For a family of four he found the benefit to be \$58-62 per month. The Welfare Division states the commodities are worth \$70-74, and the Welfare Rights Organization states they are worth \$32 to a family of four for a month. Mr. Dolan pointed out that his figures are based upon if a family receives every single item offered for the month, which most families don't. For instance, a family would be eligible for 12 pounds of Crisco fat, which most families would take more than a year or two to use. They could also receive ten pounds of cornmeal, twenty pounds of flour, or one gallon of syrup, which most families would never fully use in one month.

A dual program is where a county allows a recipient to participate in either the food stamp program one month or the commodity food program the next month, but they can't participate in both programs each month. The county would have both programs available to recipients. Currently the only county allowed to do this are three counties in the Seattle area who are experience 12% and 15% unemployment due to layoffs in the aerospace industry. Those counties sued the federal government and were thus allowed to have a dual program. However, Mr. Tomlinson said that since

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that time the federal government has changed its regulations and the conditions existing at the time of the successful Washington lawsuit have changed. He felt the federal government would not allow Nevada to have a dual program, and indicated they have been told this on several occasions. He said San Diego county, which is a heavily Republican county, was recently refused authority for a dual program despite their unemployment. The federal government regulations have changed and they now have broad regulatory power in this area. The Welfare Rights Organization felt the state could successfully file suit to require a dual program in Nevada, but Mr. Tomlinson again reiterated that this would be very unsuccessful.

Mr. Tomlinson stated that the county must request a desire to have a food stamp program before the state could provide one. Ruby Duncan stated that she disagreed, that the state could provide enabling legislation so that it would be available to the counties. Mr. Dolan stated that the program could not be shoved down the county's throats, but that the local governments requested it, the state funded and approved it, the USDA administered the program through the Welfare Division and that this was the required procedure to be followed. Mr. Barrett said that at the time the budget was being sent to the printers the counties had not requested the food stamp program. Mr. Tomlinson said they had not received any request, and Senator Lamb noted the committee had not either. Senator Lamb stated he would write Washoe and Clark County commissioners to get their feelings on the food stamp program. Maya Miller gave Senator Lamb a report which indicated the Clark County commissioners did approve of the food stamp program at a recent meeting.

Mr. Tomlinson stated that the benefit to a family of four on commodity foods would be \$74. Ruby Duncan stated she disagreed completely that the value would be \$74. She said her group took the state value of commodity foods, which is \$2 million, deducted one million because half of these foods go to institutions and schools, and divided the 16,000 recipients into the remaining one million dollars to arrive at their figure of \$32 per family of four.

The testimony then turned to disregards, or the income conditions under which an individual may receive food stamps or commodity foods. Mr. Tomlinson stated that anyone qualified may receive commodity foods regardless of his income range if it is low enough that he qualify. However, with the food stamp program there is an income range and the more money a recipient earns the less he will be qualified for in food stamps. He said Nevada has² 170

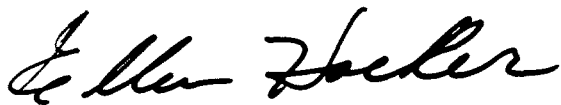
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the highest percentage of working welfare recipients in the nation. He said that the food stamp program would not benefit the welfare and non-welfare recipients in the state as much as the commodity foods. He also indicated that it would cost the state much more in certification because each eligible recipient would have to have his income figured to calculate the exact amount of food stamps which he would then receive, and that this amount would vary with each individual family. Mr. Tomlinson and the Welfare Rights Organization people disagreed completely. Ruby Duncan stated that she disagreed strenuously, that she had attended food stamp workshops for several years and was a working woman on welfare. She said that food stamps would be of definite benefit to her or she wouldn't be working so hard to get the program. She said they would help both the employed and unemployed recipients as well as the non-welfare recipients who would be eligible for the program. Senator Lamb noted the differences in the testimony and said, "I don't know why the recipients would want food stamps unless they would be to their benefit" and asked that the two groups get together because the testimony was very confusing to the committee. Senator Gibson also noted this and was referred by Mr. Tomlinson to the attached information headed Comparison: Food Commodities and Food Stamps. Maya Miller testified that they would be beneficial. Senator Lamb said, "I can't see why these people would be requesting food stamps if it is going to hurt them."

Mr. Tomlinson also noted that in other states where food stamps are available they had noted a decline in the participation of this program in counties where they are available. See the attachment headed State of Idaho Food programs, March 1972. He said no studies had been done to determine why there was this decline, but suggested that perhaps it was due to inconvenient locations of purchasing the food stamps, or perhaps the food stamps weren't offered often enough when the recipients had available cash to purchase them.

The meeting adjourned at 10:10 a.m.

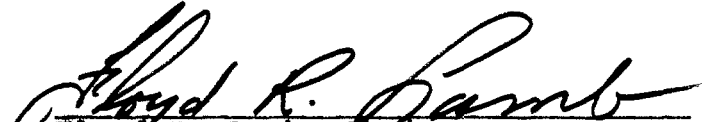
Respectfully submitted,



Ellen Hocker, Secretary

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APPROVED:


Floyd R. Lamb, Chairman

#	NAME USED	\$/lb	% Fat	NAME USED	\$/lb	% Fat	NAME USED	\$/lb	% Fat	store #
1	GB*	.79	27	Lean GB	1.03	27	Super Lean GB	1.32	15	1
2	GB	.88	25	Lean GB	1.09	21	Ground Sirloin	1.39	22	2
3	GB	.79	25	Lean GB	1.03	31	Super Lean GB	1.32	15	3
4	GB	.83	27	Ground Chuck	.97	24	Ground Round	1.09	27	4
5	GB	.78	24	Lean GB	.96	24	Super Lean GB	1.19	11	5
6	-	.89	17	--	.98	21	--	1.39	18	6
				--	1.09	18	--	1.49	17	
7	-	.79	23	--	.98	23	--	1.15	15	7
							--	1.25	15	
8	NTX**30% fat	.79	23	NTX 25% fat	.98	19	NTX 15% fat	1.18	22	8
9	-	.83	33	--	1.09	33	--	1.19	23	9
							--	1.29	14	
10	-	.79	27	--	.98	20	--	1.18	22	10
11	GB	.89	30	Ground Chuck	1.09	25	Ground Round	1.25	23	11
12	GB	.79	26	Lean GB	1.03	18	Super Lean GB	1.32	15	12
13	GB	.79	23	Lean GB	.98	19	Extra Lean GB	1.25	14	13
14	GB	.79	24	Ground Chuck	.89	21	Ground Round	1.25	15	14
15	GB	.88	24	Lean GB	1.06	20	Extra Lean GB	1.26	15	15
16	GB	.73	28	Lean GB	.93	24	Extra Lean GB	1.03	5	16
17	GB	.88	25	Lean GB	1.08	20	Extra Lean GB	1.28	18	17
18	GB	.79	29	Lean GB	.98	25	Extra Lean GB	1.14	20	18
19	GB	.85	24	Ground Chuck	1.06	16	Ground Round	1.36	14	19
20	GB	.79	21.5	Lean GB	1.06	10	Extra Lean GB	1.26	9	20
				--	.99	19	--	1.18	16	21
22	GB	.79	29	Ground Chuck	1.09	18	--	--	--	22
23	GB	.79	25	Ground Chuck	.99	18	--	--	--	23
24	GB	.85	23	Ground Chuck	1.09	18	--	--	--	24
25	GB	.79	27	Ground Chuck	.99	22	Ground Round	1.25	15	25
26	GB	.77	28	Lean GB	.97	22	Extra Lean GB	1.09	18	26

*GB=Ground Beef

**NTX=Not To Exceed

EXHIBIT "A"

Nevada Senate Finance Committee
Prepared Testimony of
Attorney General Robert List
March 9, 1973

Meat Inspection and Labeling-
Present Problems and Possible Solutions

Mr. Chairman and Members of the Committee:

Several days ago, Senator Lamb expressed to me his great concern over the practices taking place in the retail meat industry, and the relationship which the State of Nevada has to the regulation of that industry. At his request, I have compiled the data available to my office and welcome the opportunity to present it to you.

This Committee is called upon to determine whether to fund the Meat Inspection Division of the Nevada Department of Health. That division now has the prerogative of relinquishing to the federal government its primary present functions of inspecting slaughterhouses and wholesale meat operations. It then becomes your job to determine whether there is any need for the continuation of the division.

I would like to call a problem to your attention which I believe is perhaps as vital to the average Nevada family as any other matter before this legislature.

CURRENT SITUATION

As reported last week, ^{1/}retail beef prices are expected to hit an all-time record average of over \$1.20 a pound, according to the Agriculture Department's report for January. This additional increase in the price of beef, coupled with inflation which continues to erode the buying power of the dollar of all Nevadans, and particularly those employed on a fixed salary, is of great concern to all of us.

A national consumer publication ^{2/}reported that approximately half the beef eaten in the United States was in the form of hamburger and that the total consumption of hamburger products approximated 11.3 billion pounds per year, or a yearly average of about 55 pounds of hamburger for every man, woman or child in the country. It is reasonable to assume that in the interim since

^{1/}UPI wire service, Wednesday, February 28, 1973, Nevada State Journal, page 2, columns 1 and 2.

^{2/}Consumer Report, August 1971, page 478-hereinafter cited as C. R.

this study, these figures have risen as a result of the cost of other types of beef.

I suggest to you that most of us have been assuming that someone-either the federal government, the state, or local governments-strictly control the meat industry at the retail level. This is simply not the case. As a result, a practice is now taking place which I would like to relate to you.

In order to determine whether the consumers in the State of Nevada were receiving a reasonable return for their food dollar when they purchased hamburger, we requested the Meat Inspection Division of the Nevada Department of Health to sample various grades of ground beef at various randomly selected retail outlets in Nevada, and make the results known to my office. That division has the authority to determine labeling compliances with federal standards which limit fat content of ground beef to "under 30%."

The tests were conducted over a period from January 23 through February 16, 1973, and involved a total of 82 meat samples being tested for fat content at 26 separate locations in the cities of Reno, Sparks, Carson City, Elko, Yerington and Las Vegas. The results of these tests are summarized on a chart marked Exhibit "A", which I will distribute to your Committee.

For the purpose of summarization, since most locations where tests were conducted sold hamburger at three different prices, the chart was divided into three different classes. Class 1 used the designation "ground beef" to identify the product and the product sold for a price ranging from 73¢ to 89¢ a pound. The percent of fat in the various samples tested in this class ranged from a low of 17% to a high of 33%. Class 2 was sold at a price ranging from a low of 89¢ a pound to a high of \$1.09 a pound, and the percent of fat found in the hamburger sold in this class ranged from a low of 10% to a high of 33%. There were two label designations commonly used in Class 2, "lean ground beef" or "ground chuck". Class 3 sold for a price ranging from a low of \$1.03 a pound to a high of \$1.49 a pound and the percent of fat tested in this class ranged from a low of 5% to a high of 27%. In this class there were four designations used to identify the product: "super lean ground beef", "extra lean ground beef", "ground sirloin" and "ground round."

The results of this series of tests were appalling. At ten of the 26 locations (equaling 40% of the locations tested) the higher priced product contained either the same amount or a greater amount of fat than the lesser priced product. The worst example is found in Store No. 6 where Class 1 products selling at 89¢ a pound contained 17% fat, Class 2 products selling at either 98¢ per pound or \$1.09 per pound contained 21% and 18% fat respectively, while Class 3 products selling at \$1.49 a pound also contained 17% fat. The price differential between the least expensive and most expensive packages of ground beef would be 60¢ a pound, and yet the consumer, who by paying the higher price for Class 3 products while being led to believe that he is purchasing at a substantial increase in price due to the higher meat content and

lower fat content of the \$1.49 product, would in fact be paying 60¢ a pound additional and yet receiving ground beef containing the exact same amount of fat as the least expensive product. In one instance, No. 9 on the Chart, Class 1 products selling at 83¢ a pound and Class 2 products selling at \$1.09 a pound both contained 33% fat. This, in itself, while discouraging, is not unusual since as noted above, at 10 of the 26 locations, or 40% of the locations tested, a higher priced product contained the same or a greater amount of fat than a lower priced product. However, in this instance, not only was there a 26¢ difference in the price between Class 1 and Class 2 products, but since both mixtures contained 33% fat, they were in excess of the federally permissible maximum standard for fat content in hamburger. No retailer is required to put anything on the label concerning the fat content.

It is, however, noted that at one location, designated No. 8 on the Chart, the product label specifically stated that the hamburger would not exceed a certain amount of fat. However, the Class 3 product sold at this location and labeled "not to exceed 15% fat" actually contained 22% fat or an amount of fat approximately 40% in excess of that indicated on the label to be the fat content. It is also noted in this instance that the Class 2 product selling for 20¢ a pound less, actually contained 19% fat which thus made this a much more reasonable purchase.

The second area of concern revealed by this summary is indicated by Nos. 11 through 21 inclusive, and number 26. In this grouping of twelve locations, constituting approximately 46% of the locations tested, there is a variation of less than 5% between one class of product and its closest price class of product. This is a distinction without a difference and is deceptive in that it may lead the consumer to believe he is purchasing a product with appreciably less fat than the next lowest priced product, when in fact there is only slight variation. Examples of this would be No. 20, where Class 3 product contains 9% fat and sells for \$1.26 a pound and Class 2 product contains 10% fat and sells for \$1.06 a pound. Similarly, No. 17 where Class 3 product contains 18% fat and sells for \$1.28 a pound and Class 2 product contains 20% fat and sells for \$1.08 a pound. Even more discouraging is No. 19 where the price differential between Class 2 and Class 3 products is 30¢ a pound and yet Class 2 product contains 16% fat, while Class 3 product contains 14% fat.

The five locations grouped Nos. 22 through 25 inclusive, approximating 14% of the study, are the only locations which maintained a variation of 5% or more among the various grades of products tested. This is not to say, however, that their course of conduct is satisfactory since it is our belief that a 5% variation in fat content between classes of product is very slight, considering the fact that the price variation between these classes of product is up to 25¢ per pound.

A related area of difficulty concerns the labeling of cuts of meat themselves. This problem is summarized in an article appearing in the January 1973 issue of the Western Meat Industry magazine. This article was based on a study conducted by the Marketing Economics Division of the United States Department of Agriculture. The study consisted of a review of 931 retail food chain ads in eight major markets across the country, and involved chains who had an important share of the market and operated approximately 2000 stores in these eight cities. This study highlighted the great variety of names used in designating fresh beef items and also demonstrated that this variation of names occurred not only from city to city within the same chain, but from chain to chain within the same city and occasionally even from ads of the same chain within the same city. Indicative of this problem was the fact that of the 931 ads studied, there were 212 variations in the names listed for steaks and 151 variations in the names listed for roasts. Further, a single chain listed 94 different names for steaks and 81 different names for roasts. This proliferation of names is all the more stupefying when one considers that the variety of names evolved from fresh beef items obtained from eight primary cuts of beef. 1/

The result of this multiplicity of labeling designations for beef has made it all but impossible for the average consumer to engage in comparison shopping, either through reading advertisements or actually visiting various retail outlets selling beef products. Thus, at a time when it has become a necessity in order to "stretch the food dollar," to compare the price of the cut of meat being purchased with a similar cut of meat at a different location, this course of conduct has become impractical due to the fact that it is highly improbable that any two competing retail outlets are using the same designation for a particular cut of meat.

POSSIBLE SOLUTIONS UNDER EXISTING LAW

It is noted^{2/} that although meat retailers come under most of the provisions of both the Federal Meat Inspection Act and the Wholesale Meat Act, they are exempt from routine inspections. This exemption all but eradicates the effectiveness of any governmental control at the federal level and necessitates that regulation of retail meat establishments be carried on at the state or local level. In Nevada, both slaughterhouses and wholesale meat establishments are closely regulated and supervised by the Meat Inspection Division of the Department of Health, but once the meat leaves the wholesaler until its ultimate consumption by the individual purchaser, there is no systematic program of inspection and control relative to what is being done with, to or about the meat which is being sold at retail.

1/ A copy of the complete study as well as supporting documents is being forwarded to our office at this time.

2/ C. R. at page 478.

Chapter 585 of the NRS, the Nevada Food, Drug and Cosmetic Act, sets out generally the authority of the Health Commissioner to establish rules and regulations pertaining to the labeling of, among other things, food as defined in NRS 585.100. Since these regulations can pertain to labeling (NRS 585.110), it is our belief that under both the general rule-making authority of the Health Division (NRS 439.200) and in particular the rule-making authority of NRS 585.210, the Commissioner of the Department of Health would have within his power the right to promulgate rules and regulations pertaining to the labeling of various cuts of meat (including a requirement that similar cuts of meat be designated and advertised by the same name), and regulating the labeling of hamburger products as to their fat content and as to the name.

Some states, such as New York, have adopted regulations which greatly simplify the labeling of meat and make uniform the designations applied to each cut. When meat is sold or advertised under these regulations, the label or advertisement must contain the primary source of the cut as designated by the Department of Agriculture and then may also contain an additional identifying name. It is also noted that unlike the confusing conglomeration of various designations currently being applied without restriction to cuts of meat being sold in Nevada, the total number of approved meat label identifications for all cuts of beef is 127. The fact that each cut would be identified in a uniform manner would greatly simplify comparison shopping by the public.

It is also our opinion that in setting standards for hamburger products, designations such as "ground beef", "lean ground beef", "extra-lean ground beef", etc. should be used and that each of these designations should indicate that the amount of fat present in the meat is within an allowable range which could be established by the State Department of Health. 1/

Thus we see that while the Meat Inspection Division has the authority to regulate these abuses, absolutely nothing has been done. We believe your Committee should consider the continuing funding of the Division, with the explicit understanding that it undertake to exercise its power to correct these inequities.

Violation of NRS Chapter 585 is a misdemeanor. NRS 585.540 empowers the Attorney General or any district attorney to cause appropriate legal proceedings to be instituted and prosecuted when the Health Commissioner reports to them a violation of Chapter 585. However, under NRS 585.540(2), before any violation is reported to the Attorney General or district attorney for institution of proceedings, it is mandatory that the Commissioner give to the party

1/ Designations such as "ground chuck", "ground round", "ground sirloin", etc. should not be used since there is no available laboratory test which can distinguish between these cuts of meat once they are ground (C. R. p. 480), and these designations frequently lead to deception since it is our belief that with the price of beef at its present level, it is not economically feasible for the stores to grind these particular cuts of meat into hamburger products.

to be charged, appropriate notice and opportunity to present his views to the Commissioner before the Commissioner can request the institution of proceedings. Presumably, this requirement would also apply to rules and regulations promulgated under the authority granted by Chapter 585. It is our belief that this section pertaining to a meeting before the Commissioner is permitted to refer violations to the proper authority for enforcement should be stricken from the statutes, and that greater enforcement authority, including the right to hold administrative hearings, be granted under NRS Chapter 585 so that the eventual rules and regulations which are enacted not face the problem of having to overcome restrictions appearing in the NRS in order to provide for an orderly, effective method of protection for consumers in Nevada.

It is our belief that provisions similar to those appearing in NRS 584.180 through 584.210 creating the Milk Inspection Board of the Department of Health, or NRS 446.875, et seq. pertaining to the enforcement of laws governing the sanitation of food establishments would serve as a reasonable guideline as to what enforcement authority should be vested in those enforcing rules and regulations pertaining to meat and meat labeling.

SUMMARY

At the beginning of my testimony, I cited figures showing that nationally, every man, woman and child consumes 55 pounds of hamburger each year. Translating that to Nevada, it means that Nevada housewives are buying about 500,000 pounds of hamburger a week. The Chart which I have given to you indicates that these housewives are being taken for about 20¢ per pound on every purchase of Class 2 meat alone in many store locations. This could approximate at least \$50,000, and probably closer to \$100,000 per week statewide when all purchases are considered.

In addition, we have pointed out the problem of comparison shopping on various cuts of meat, and this no doubt leads to additional wasted consumer dollars.

We believe the time has come to begin adequate regulation, and urge your Committee to consider the necessary funding.

I want to particularly thank Chairman Lamb for his interest, and for his having invited me to appear before you today.

MEMORANDUM

TO: SENATE FINANCE COMMITTEE
FROM: JOHN F. DOLAN, DEPUTY FISCAL ANALYST
SUBJECT: FOOD STAMPS (REQUEST FROM SENATOR YOUNG) - BUDGET PAGE 552

Introduction

The 1973 Executive Budget includes an appropriation/authorization request to institute a Food Stamp Program in Clark County. Currently food assistance in Nevada is provided through the Commodity Food or Donated Food Program. The budget request would permit Clark County to participate in the Food Stamp Program if the County Commissioners request the program, if the Nevada Legislature authorizes the program and if the United States Department of Agriculture approves Nevada's program application. Although funds are included in the Executive Budget for the Food Stamp Program, the narrative accompanying the budget indicates the administration's preference for continued participation in the Commodity Food Program.

This memorandum includes a brief explanation of the Food Stamp Program and its relationship to the Commodity Food Program.

The Mechanics of Food Stamps - Generally

The modern Food Stamp plan enacted in 1964, and administered by the United States Department of Agriculture, gives locally certified low income families and individuals an option to buy food vouchers - "stamps" - bearing face value well in excess of their purchase price. Stamps are good in normal trade channels for almost all food items. Stamps cannot be used for the purchase of such things as paper products, cigarettes, beer, liquor, laundry products and imported foods. The actual difference or "bonus" between cost to the recipient and the face value of stamps varies according to family size and income.

Schedule 1 on page 5 shows the income and purchase requirements for the program. Food stamps are the same price for public assistance recipients and non-recipients. The former are automatically eligible, the latter can be certified if the family monthly income by household size is not in excess of the established standards. In determining eligibility both assets and income are considered.

Physically, food stamps are coupons about the size of a dollar bill issued in denominations of 50 cents, \$2 and \$5. Books valued at \$2, \$3, \$10 and \$20 are procured at banks, post offices, or government food stamp centers--as the individual state determines. The stamps are exchanged for food at certified food outlets. The recipient must present his identification or authorization to purchase card and sign each book of stamps. If change is less than 50 cents, cash can be returned; change greater than 50 cents is made with stamps previously accepted by the retailer and not yet redeemed. The stamps are redeemed through normal commercial banking procedures. The stores deposit their stamps in their bank. The bank sends these stamps through the Federal Reserve System where federal USDA appropriations redeem the stamps at their face value.

The United States Department of Agriculture is responsible for administering the Food Stamp Program through the Food Stamp Division of the Food and Nutrition Service. The Food and Nutrition Service administers all food programs, and has a separate division for commodity distribution and child nutrition programs.

The role of the Food Stamp Division is to:

1. Write and rewrite program regulations.
2. Issue instructions and guidelines to state and local welfare agencies and complete agreements with states on how they will carry out the program. When each new regulation is issued, these agreements must be amended to include compliance with them.

3. Supervise the printing of the stamps and their transportation and delivery to local outlets.
4. Investigate and then refer charges of discrimination or fraud in program operation to the Office of the Inspector General.
5. Approve and monitor the participation of wholesale and retail grocers in the programs. Grocers who violate the program regulations are removed from the program.
6. Make periodic review, evaluation, and audits of all phases of program operations on the state level.

The current law requires that the operation of a food stamp program in a locality be "at the request of an appropriate State Agency." If the state is willing to have a program, each county or other appropriate unit within the state must make its own choice. USDA's involvement at this level is to establish the outlines of the program.

No county can be involved in the food stamp program unless the appropriate state welfare agency, that is, the one that administers federally-aided public assistance programs, accepts responsibility for overseeing the program wherever it functions in the state. (This, then, links USDA federally and regionally with the state and local welfare units whose primary programs tie them to HEW.)

The state welfare agency must also file a plan of program operation, called the "State Plan", for USDA's approval. This plan, among other things: (1) must bind the state welfare agency to obey all applicable Federal regulations, (2) must set forth the state's eligibility standards for determining which families can receive stamps, (3) must state the proposed certification procedures, (4) must indicate those places within the state where food stamps will be available, and (5) must set forth state practice concerning all non-mandatory USDA regulations.

Each of the states participating, according to the Act, has to "assume responsibility for the certification of applicant households and for the issuance of coupons."

The state welfare agency may not delegate control over the certification process to any other organization, although it can contract the issuance aspect to another agency, including banks, community action agencies and the post office.

The federal government participates financially in the program by providing the funds for the stamps themselves and by reimbursing the states on a matching formula for the salary costs of certification, outreach, and fair hearings. The states bear a 100% responsibility for the non-salary items (travel, operating, and equipment) and stamp issuance or transaction costs. In most states it appears that the combination of reimbursable and non-reimbursable costs calculate to an over-all matching ratio of 70% state, 30% federal (excluding the redemption of stamps at face value).

Food Stamps and/or Commodity Foods?

Before the 1971 amendments to the Food Stamp Act, the law flatly prohibited distribution of commodity foods to households in areas with a Food Stamp Program. The only exception was in emergency situations as a result of a natural disaster (flood, hurricane, earthquake or economic disaster). The 1971 amendments expanded the dual concept to include the transition period between stamps to commodities and upon state agency request provided that no single household receives the benefits of both programs simultaneously. The USDA may legally approve the dual program but to date have almost universally denied applications for such a dual program.

If the Legislature authorizes only the Food Stamp Program, the General Fund appropriation in the Commodity Food Program on page 73 can be reduced correspondingly. This approximate \$94,000 annual appropriation is recommended to relieve the counties from the financial responsibility for the distribution charge on transporting food from the state to the counties for their needy families. The General Fund reduction in the Commodity Food Program will depend on the number of counties electing and authorized to participate in the Food Stamp Program.

DEPARTMENT OF AGRICULTURE - FOOD STAMP PROGRAM

BASIS OF COUPON ISSUANCE
for the 50 States
&
District of Columbia

For a household of -	1	2	3	4	5	6	7	8
monthly coupon allot.	\$32	\$64	\$92	\$112	\$132	\$152	\$172	\$192

Monthly net income	MONTHLY PURCHASE REQUIREMENT							
0 - 19.99	0	0	0	0	0	0	0	0
20 - 29.99	\$1	1	0	0	0	0	0	0
30 - 39.99	4	4	4	4	5	5	5	5
40 - 49.99	6	7	7	7	8	8	8	8
50 - 59.99	8	10	10	10	11	11	12	12
60 - 69.99	10	12	13	13	14	14	15	16
70 - 79.99	12	15	16	16	17	17	18	19
80 - 89.99	14	18	19	19	20	21	21	22
90 - 99.99	16	21	21	22	23	24	25	26
100 - 109.99	18	23	24	25	26	27	28	29
110 - 119.99	20	26	27	28	29	31	32	33
120 - 129.99	22	29	30	31	33	34	35	36
130 - 139.99	24	31	33	34	36	37	38	39
140 - 149.99	26	34	36	37	39	40	41	42
150 - 169.99	26	36	40	41	42	43	44	45
170 - 189.99	26	42	46	47	48	49	50	51
190 - 209.99		44	52	53	54	55	56	57
210 - 229.99		44	58	59	60	61	62	63
230 - 249.99		44	64	65	66	67	68	69
250 - 269.99			70	71	72	73	74	75
270 - 289.99			74	77	78	79	80	81
290 - 309.99			74	82	84	85	86	87
310 - 329.99				86	90	91	92	93
330 - 359.99				86	94	97	98	99
360 - 389.99				88	98	104	107	108
390 - 419.99					102	108	116	117
420 - 449.99					104	112	122	126
450 - 479.99						116	126	130
480 - 509.99						120	130	134
510 - 539.99							134	138
540 - 569.99							136	142
570 - 599.99							136	146
600 - 629.99								150
630 - 659.99								152

For issuance to households of more than eight persons use the following formula:

A. Value of total allotment. For each person in excess of eight, add \$16 to the monthly coupon allotment for an 8 person household.

B. Purchase requirement. 1. Use the purchase requirement for the 8-person household for households with income of \$599.99 or less.

2. For household with income of \$600 or more, use this formula: For each \$30 worth of monthly income (or portion thereof) over \$599.99, add \$4 to the monthly purchase requirement shown for a 8-person household with an income of \$599.99.

3. Maximum monthly purchase requirements for households of more than 8 persons, add \$12 for each person.

MEMORANDUM

TO: SENATE FINANCE COMMITTEE
FROM: JOHN F. DOLAN, DEPUTY FISCAL ANALYST
SUBJECT: DOLLAR VALUE COMPARISONS - FOOD STAMPS COMPARED TO COMMODITY FOODS

Developed after meeting

Several organizations have developed dollar figures to illustrate the comparative advantages of the Food Stamp and Commodity Food Programs. Figures distributed by the Welfare Division indicate the retail value of commodity foods to a family of four is \$74. The Welfare Rights organizations contend that the retail value of commodities to a family of four is \$32.

A review of the figures indicates that both are correct but not comparable. The figures developed by the Welfare Division are the value of commodities if the recipients were to receive all of the listed commodities in a month. The Welfare Rights figures are the actual average utilization per month for 1971-72. The Welfare Division is showing the maximum potential value while the Welfare Rights are showing the average actual value.

Apparently not all families take or can use all of the varieties of the commodities available each month. A family of four, for example, is eligible for six pounds of shortening per month, ten pounds of corn meal, and twenty pounds of flour. These items can not apparently be utilized each month so the average utilization is less than the maximum potential utilization.

State of Idaho
Food Programs, March 1972

County	Public Assistance Money Recipients	Donated Commodities		Food Stamps	
		Participating	Percent	Participating	Percent
Ada	3,926	2,493	63.5%		
Adams	58	36	62.1		
Bannock	2,275	1,527	67.1		
Bear Lake	83	56	67.5		
Benewah	292	191	65.4		
Bingham	1,215	850	70.0		
Blaine	78			17	21.8%
Boise	67	46	68.7		
Bonner	562	383	68.1		
Bonneville	1,912			375	19.6
Boundary	279	156	55.9		
Butte	102	16	15.7		
Camas	5				
Canyon	3,874	no program		789	20.4
Caribou	92			17	18.5
Cassia	645			129	20.0
Clark	10			2	20.0
Clearwater	341	227	66.6		
Custer	61	no program			
Elmore	436	257	58.9		
Franklin	117			33	28.2
Fremont	172	95	55.2		
Idaho	397	295	74.3		
Gooding	270			69	25.6
Idaho	397	249	62.7		
Jefferson	271			46	17.0
Jerome	452			110	24.3
Kootenia	1,902	1,303	68.5		
Latah	330	228	69.1		
Lemhi	250			65	26.0
Lewis	144	67	46.5		
Lincoln	76			13	17.1
Madison	147	88	59.9		
Minidoka	641			116	18.1
Nez Perce	1,689	1,180	69.9		
Oneida	31			11	35.5
Owyhee	357			78	21.8
Payette	867	556	64.1		
Power	181	85	47.0		
Shoshone	716	520	72.6		
Teton	125	18	14.4		
Twin Falls	2,218			508	22.9
Valley	84	61	72.6		
Washington	314	185	58.9		
Total	28,461	11,168 users	66.9%	2,378 users	20.2%
		16,704 elig.	= 66.9%	11,757 elig.	= 20.2%

26 Counties with donated commodities.
16 Counties with food stamps.

Nevada State Welfare Division
 Food Stamp Program
 Estimated Costs

Clark County

	<u>Percentage to Potential</u>	<u>Cases</u>	<u>Persons</u>
Estimated Non Public Assistance	25%	3,026	10,803
Estimated Public Assistance	50%	<u>2,350</u>	<u>7,220</u>
Total		<u>5,376</u>	<u>18,023</u>
	<u>Total</u>	<u>Federal</u>	<u>State</u>
Certification	\$357,944	\$126,717	\$231,227
Transaction	<u>80,664</u>	<u> </u>	<u>80,664</u>
Total	<u>\$438,608</u>	<u>\$126,717</u>	<u>\$311,891</u>
Percentage of Federal and State	100.0%	28.9%	71.1%

COMPARISON: FOOD COMMODITIES AND FOOD STAMPS

Example I.

- A. Old age recipient with maximum grant of \$175 per month
1. Current retail value of commodities = apprx. \$21 avg/month
 2. Food stamps
 - a. allowable stamps = \$36
 - b. purchase price = \$26
 - c. net value = \$10 ($\frac{1}{2}$ the value of commodities)

Example II.

- B. ADC family of four with maximum grant of \$176 per month
1. Current retail value of commodities = approx. \$74 avg./month
 2. Food stamps
 - a. allowable stamps = \$112
 - b. purchase price = \$ 31
 - c. net value = \$ 81 (\$7 more than commodities) *

Example III.

- C. ADC family of four with \$250 earnings and \$93 grant per month
1. Current retail value of commodities - approx. \$74 avg./month
 2. Food stamps
 - a. allowable stamps = \$112
 - b. purchase price = \$ 77
 - c. net value = \$35 (less than $\frac{1}{2}$ of commodities value)

- * If the Governor's recommended ADC increase should be passed the ADC grant will go up to about \$200 per month, the purchase price will go up to \$34 and the net value will go down to \$78.

Nevada State Welfare Division
 Food Stamp Program
 Estimated Eligible Households and Transaction Costs

Clark County

Estimated Households and Persons

	<u>Estimated Potential</u>	<u>Estimated Percentage Participation</u>	<u>Estimated Participation</u>	<u>Percentage Participation To Total</u>
Non P.A. Households:				
Cases	12,104	25 %	3,026	56.3%
Persons	43,202	25 %	10,803	59.9%
P.A. Households:				
Cases	4,699	50 %	2,350	43.7%
Persons	14,440	50 %	7,220	40.1%
Total Non P.A. and PA Households:				
Cases	16,803	32.0%	5,376	100.0%
Persons	57,642	31.1%	18,023	100.0%

Estimated Transaction Costs

	<u>Cost Per Transaction</u>	<u>Number of Transactions Per Month</u>	<u>Number of Households</u>	<u>Total Cost Per Year</u>
Non P.A. Households	80¢	2	3,026	\$58,104
P.A. Households	80¢	1	2,350	<u>22,560</u>
Total Transaction Costs				<u><u>\$80,664</u></u>

Nevada State Welfare Division
Food Stamp Program
Estimated Certification Costs

Clark County
Non P.A. 25% of Potential

<u>Position</u>	<u>No. of Employees</u>	<u>Unit Cost</u>	<u>Total</u>	<u>Federal</u>	<u>State</u>
S.W. Spec.	1	\$13,814	\$ 13,814	\$ 8,634	\$ 5,180
S.W. Supv.	3	11,490	34,470	21,543	12,927
El. Wrk. I	15	8,021	120,315	75,195	45,120
Sr. Cl. Ty.	4	6,457	25,828	-0-	25,828
Auditor	1	10,492	10,492	-0-	10,492
Hear. Off.	1	13,187	13,187	8,242	4,945
Q.C.	1	10,979	10,979	6,862	4,117
Total	26		<u>\$229,085</u>	<u>\$120,476</u>	<u>\$108,609</u>
<u>Travel</u>					
S.W. Spec.	1	\$ 500	\$ 500	\$ 313	\$ 187
S.W. Supv.	3	200	600	375	225
El. Wkr.	15	425	6,375	3,990	2,385
Auditor	1	1,000	1,000	-0-	1,000
Hear. Off.	1	1,000	1,000	625	375
Q.C.	1	1,500	1,500	938	562
Total			<u>\$ 10,975</u>	<u>\$ 6,241</u>	<u>\$ 4,734</u>
<u>Operating</u>					
Office Sup.	26	\$ 134	\$ 3,484	\$ -0-	\$ 3,484
Post. & Freight	26	164	4,264	-0-	4,264
Tel. & Tel. Rent & Tolls	26	133	3,458	-0-	3,458
Bldg. Space Rent	26	624	16,224	-0-	16,224
Printing		2,500	2,500	-0-	2,500
Data Processing		75,000	75,000	-0-	75,000
Total			<u>\$104,930</u>	<u>\$ -0-</u>	<u>\$104,930</u>
<u>Equipment</u>					
Clerical	4	\$ 868	\$ 3,472	\$ -0-	\$ 3,472
Executive	22	431	9,482	-0-	9,482
Total			<u>\$ 12,954</u>	<u>\$ -0-</u>	<u>\$ 12,954</u>
Certification Costs			<u>\$357,944</u>	<u>\$126,717</u>	<u>\$231,227</u>

Washoe County

Certification Costs

<u>Position</u>	<u>No. of Empl.</u>	<u>Unit Cost</u>	<u>Total</u>	<u>Federal</u>	<u>State</u>
S.W. Supv.	1	\$11,490	\$11,490	\$ 7,181	\$4,309
El. Wkr. I	6	8,021	48,126	30,079	18,047
Sr. Clk. Typ.	1	6,457	6,457	-0-	6,457
Hearing Officer	1	13,187	13,187	8,242	4,945
	<u>9</u>		<u>\$79,260</u>	<u>\$ 45,502</u>	<u>\$33,758</u>
<u>Travel</u>					
S.W. Supv.	1	\$ 200	\$ 200	\$ 125	\$ 75
Elig. Wkr. I	6	425	2,550	1,594	956
Hearing Officer	1	1,000	1,000	625	375
			<u>\$ 3,750</u>	<u>\$ 2,344</u>	<u>\$ 1,406</u>
<u>Operating</u>					
Office Sup.	9	\$ 134	\$ 1,206	\$ -0-	\$ 1,206
Postage & Freight	9	164	1,476	-0-	1,476
Telephone	9	133	1,197	-0-	1,197
Bldg. Space Rent	9	624	5,616	-0-	5,616
			<u>\$ 9,495</u>		<u>\$ 9,495</u>
<u>Equipment</u>					
Clerical	1	868	868	-0-	868
Executive	8	431	3,448	-0-	3,448
			<u>\$ 4,316</u>		<u>\$ 4,316</u>
TOTAL			<u>\$124,587</u>	<u>\$ 47,846</u>	<u>\$76,741</u>

Washoe County
FOOD STAMP COSTS

Number of households & persons

Non Public Assistance Households:

Cases	1063
Persons	3719

Public Assistance Households:

Cases	766
Persons	1916

Total Persons	5635
---------------	------

Transaction Costs

	<u>Cost per transaction</u>	<u>Number of transactions per month</u>	<u>Number of households</u>	<u>Total cost per year</u>
Non P.A. Households	80¢	2	1063	\$20,410
P.A. Households	80¢	1	766	<u>7,356</u>
Total				<u>\$27,766</u>

Proposed Budget
For
Food and Drug Expansion Program

	<u>F.Y. 73 - 74</u>	<u>F.Y. 74 - 75</u>
Salaries (4 employees)	\$40,610.00	\$42,640.00
Payroll Cost	4,061.00	4,264.00
In-State travel	6,480.00	6,480.00
Perdiem	3,600.00	3,600.00
Operating Expense		
Sample Purchase	500.00	500.00
Offices Supplies	270.00	270.00
Postage & Freight	400.00	400.00
Telephone	720.00	720.00
Printing	200.00	200.00
Equipment	450.00	150.00
	<u>\$57,291.00</u>	<u>\$59,224.00</u>