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MATERIAL RELATED TO H.R. 16311

PREPARED BY THE STAFF

OF THE

COMMITTEE ON FINANCE

UNITED STATES SENATE

RUSSELL B. LONG, *Chairman*

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CHART 1 -- AID TO FAMILIES WITH DEPENDENT CHILDREN

Virtually all Federally shared cash assistance to families with children under present law is paid under the program of Aid to Families with Dependent Children (AFDC). Under Federal law families can qualify for cash assistance if the father is dead, incapacitated, absent from the home, or at the State's option, if the father is unemployed. At the present time 23 States have elected to have a program for the families of unemployed fathers.

Although Federal law and regulations establish limitations and requirements for Federal matching, the States establish their own standards of need for the determination of eligibility for AFDC. They also determine the amount of the payment which is actually made to recipient families.

In fiscal year 1969 the Federal Government contributed 54 percent of the total cost of AFDC payments. In recent years the percentages have been: 1965 - 55 percent, 1966 - 58.4 percent, 1967 - 55.7 percent and 1968 - 54.9 percent. In 1970, the Federal percentage will be an estimated 55 percent.

Although Federal law requires all States to disregard specified earnings in determining the amount of the payment which an individual family will receive, it prohibits the States from disregarding earnings in making the initial determination of eligibility. Thus, for example, a woman with three children whose monthly earnings are $300 will be ineligible for AFDC if the State's needs standard is $250.

CHART ONE

Aid to Families with Dependent Children

PRESENT LAW:

- Families eligible because father is
  - -dead
  - -absent from home
  - -incapacitated
  - -unemployed (23 States)
- State determines needs standard, amount of payment
- In f.y. 1969, Federal Govt. paid 54% of cost nationally
- Generally, all income counted in determining initial eligibility

CHART 2 -- AFDC: CAUSE OF CHILD'S DEPENDENCY

Under the program of Aid to Families with Dependent Children, a child may receive assistance on the basis of the father's death, incapacity, or absence from the home. Since 1961 States have also been able to receive Federal matching funds to provide assistance to children in families in which the father is unemployed; 23 States now do so.

The program was originally designed to provide assistance primarily for fatherless homes, and in the early years of the program this type of family was the one most commonly assisted. Since the early years of the program, the number of families eligible because of the death of the father has actually decreased as more families have become eligible for survivor benefits under the Social Security system.

Although the number of children eligible because of the father's incapacity has increased steadily over the years (increasing from 227,000 in 1940 to 711,000 in 1969), the really significant growth has been in the category of children receiving assistance because of the father's absence from the home. The number of children in this group has grown from 826,000 in 1951 to 3,515,000 in 1969, with half of that growth occurring since 1965. In 1951 this category of children represented about half of all children on AFDC; in 1969 it represented more than three-fourths of all children.

The category of absence from the home includes families in which there is divorce, separation, desertion, illegitimacy, or imprisonment. Of all families receiving AFDC in 1969, about 28 percent were families in which the father was not married to the mother, and about 16 percent were families in which the father had deserted. Nearly 14 percent were in families which were divorced, and nearly 14 percent were families in which the parents were separated with or without a court decree.

CHART TWO

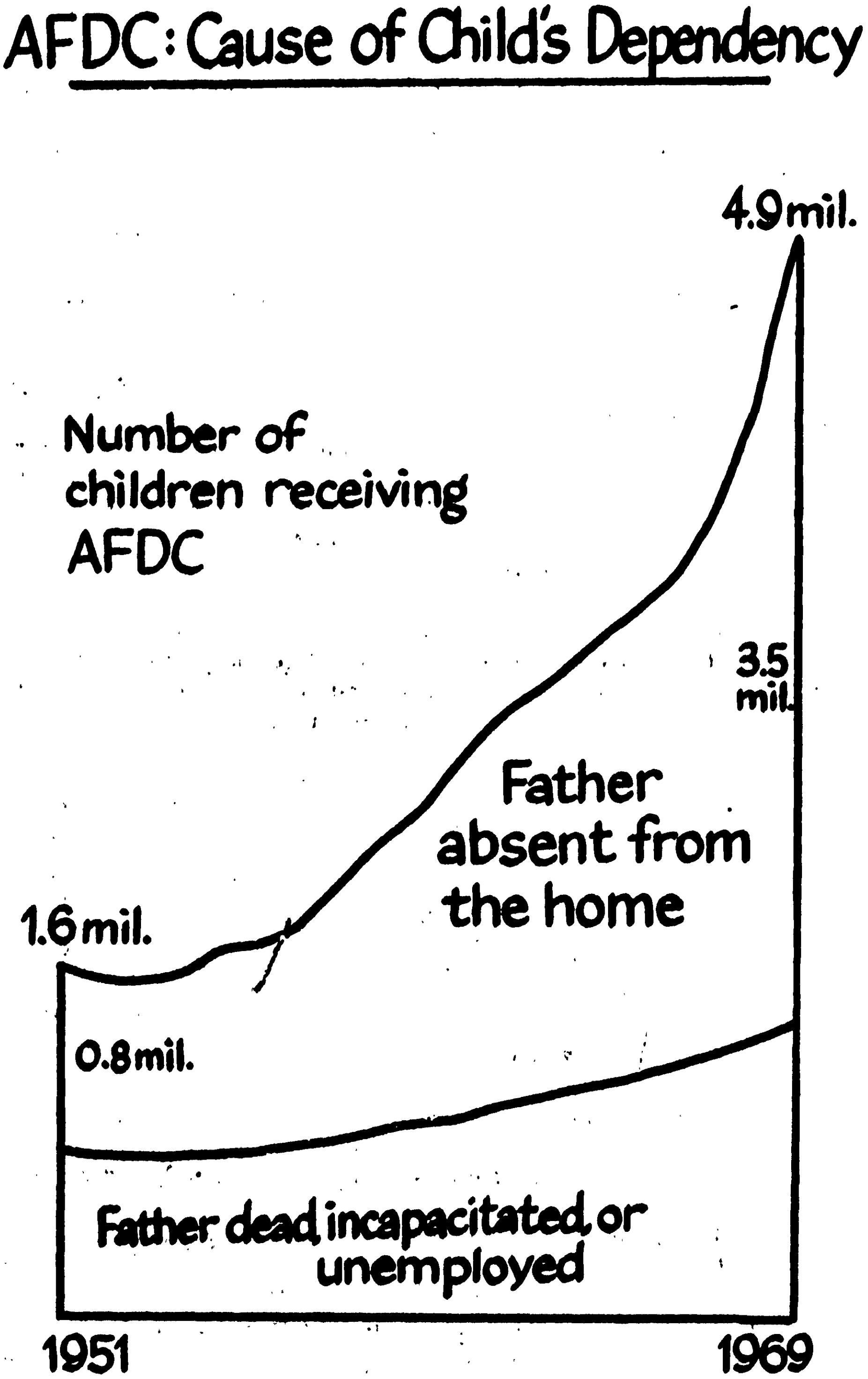
AFDC: Cause of Child's Dependency
4.9 mil.
Number of children receiving AFDC
3.5 mil.
Father absent from the home
1.6 mil.
0.8 mil.
Father dead, incapacitated, or unemployed
1951
1969

CHART 3 -- FAMILY ASSISTANCE PROGRAM

The Family Assistance Plan (FAP) would provide a basic benefit level of $500 a year for each of the first two members of a family, and $300 for each additional member. Thus, a family of four with no other income would be eligible to receive $1600, all of which would be paid from Federal funds.

The Plan also includes requirements for registration with the employment service. In general, all heads of households, with certain exceptions, would be required to register as a condition of receiving assistance.

Unlike present law, which provides assistance only to families in certain circumstances (if the father is dead, incapacitated, absent from the home, or in some States, unemployed), FAP would cover all families with children which have countable income which is less than the FAP payment levels. Thus, it would cover the so-called "working poor," a group which under present law is not eligible for Federally shared assistance payments.

In determining what is countable income, both for purposes of eligibility and the amount of the payment, all unearned income would generally be counted, while a portion of earned income would be disregarded as a work incentive. Specifically, the following income would not be countable:

$720 annually in family earnings plus one-half of additional earnings;

earnings of children;

the cost of child care necessary for training or employment;

training allowances;

the value of home produce;

the value of food stamps or other assistance based on need;

the amount of a scholarship used in paying tuition and fees; and

irregular or infrequent income (up to $30 a quarter).

CHART THREE

Family Assistance Program

- $500 each for first 2 family members
- $300 for each additional member
- 100% Federal funds
- Generally, head of family must register for work or training
- Any family with countable income less than FAP payment eligible
- Generally, all unearned income is counted
- Special rules for earned income

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CHART 4 -- STATE SUPPLEMENTARY PAYMENTS

In most States, payments to families with no income under AFDC are presently higher than what they would be under the Family Assistance Plan. These States would be required to supplement the Federal Family Assistance payments to the extent necessary to maintain January 1970 AFDC payment levels. States would, however, be permitted to reduce this present standard as necessary to bring them down to the poverty level as defined in the bill ($3720 for a family of four). State supplemental payments would be required for all families in the categories presently eligible for AFDC, as well as families with an unemployed father in those 27 States which do not now have unemployed father programs. An estimated quarter million persons in families with an unemployed father would become eligible for assistance for the first time under H. R. 16311. Supplemental payments would not be required for families in which the father is employed (the so-called "working poor").

States would be reimbursed by the Federal government for 30% of their expenditures for supplemental family payments. There would be no Federal sharing, however, in that portion of the cost of supplemental payments related to a needs standard in excess of the poverty line, and no Federal matching would be provided for supplemental payments to the working poor by any State which might choose to make such payments.

In determining eligibility for State supplemental payments and the amount of such payments, States would be required to disregard a certain amount of earned income (generally $720 per year plus 1/3 of earnings above $720). Thus a woman with 3 children whose earnings total $300 monthly will be eligible for State supplementation if the State's monthly AFDC needs standard is $250 in January 1970, even though the family would not be eligible for AFDC today.

By making the disregard apply to initial eligibility determinations as well as to payment computations, the bill will require States to extend eligibility for assistance to an estimated million persons not presently eligible for AFDC.

CHART FOUR

State Supplementary Payments

- State must supplement FAP up to lower of
  - level of Jan. 1970 AFDC payment
  - poverty level
- 30% Federal matching (up to poverty level)
- Required when father unemployed
- Not required when father employed
- Portion of earned income disregarded both in determining eligibility and amount of payment
- More than one million recipients added to State welfare rolls

CHART 5 -- IMPACT OF H.R. 16311 -- STATE A

This chart gives examples of welfare payments under present law and under H.R. 16311 for a family of four persons in a State which presently provides AFDC payments which are sufficient to bring the family's income to $3,000 (some 15 States have needs standards at about this level). Under AFDC the amount of earnings disregarded is $30 per month, plus 1/3 of earnings above $30 per month, plus an amount equal to the recipient's work expenses. Under the Family Assistance Plan and the State supplemental plan, the amounts disregarded are $60 per month plus part of earnings above $60 per month (1/2 in the case of the Family Assistance payments and, generally, 1/3 in the case of supplemental State payments).

The first example shows a family composed of a working mother with three children with earnings at $2,000 per year, and with monthly work expenses of $30. (The decrease in this family's net welfare payment under H.R. 16311 compared with present law is a result of the differences in the provisions relating to the disregard of earnings.)

The other examples concern a family of four headed by a father. It is assumed that this is one of the 23 States which now aids families with an unemployed father. Under regulations of the Department of Health, Education, and Welfare, any father working less than 30 hours a week must be considered unemployed; a State may consider a father unemployed if he works less than 35 hours a week.

In the examples on the chart, under both present law and under the provisions of H.R. 16311, the family with a father who has no earnings fares somewhat better in terms of total income than a family in which the father is fully employed at very low earnings.

A family with a father who is considered unemployed but has part-time earnings fares considerably better than if he were employed full-time at low earnings.

CHART FIVE

Impact of H.R. 16311 - State A

Needs standard for family of 4 -- $3,000; full need met; families with unemployed fathers now aided

Family of 4 headed by-	Income under present law		Income under H.R. 16311	
Mother, earnings of $2,000, work expenses $30 per mo.	AFDC	$2,267	FAP	$960
	Earnings	2,000	Supp'l't	1,187
		4,267	Earnings	2,000
				4,147
Unemployed father, no earnings	AFDC	$3,000	FAP	$1,600
			Suppl't	1,400
		3,000		3,000
Unemployed father, part time earnings of $1,000, work expenses $15 per month	AFDC	$2,753	FAP	$1,460
	Earnings	1,000	Suppl't	1,353
		3,753	Earnings	1,000
				3,813
Employed father, earnings of $2,000, work expenses $30 per month	Earnings	$2,000	FAP	$960
		2,000	Earnings	2,000
				2,960
Unemployed father, earnings of $2,000, work expenses $30 per month	AFDC	$2,267	FAP	$960
	Earnings	2,000	Suppl't	1,187
		4,267	Earnings	2,000
				4,147

CHART 6 -- IMPACT OF H. R. 16311 -- STATE B

This chart presents examples using the same families as in Chart 5. In this case, however, the State described provides AFDC payments based on a needs standard for a family of four of $2200. This State is also one which does not provide AFDC payments for families with an unemployed father.

As in the preceding chart, the female-headed family receives the same total welfare payments under present law as under H. R. 16311 except for a slight difference attributable to changes in the earnings disregard provisions. The incomes of families headed by an unemployed father, however, are substantially increased under H. R. 16311 since these families, which are now ineligible for any welfare payment in this State, would become eligible for both a Federal Family Assistance payment and a supplemental State payment. (Although the chart shows no Federally shared assistance for a family with a totally unemployed father, the family may be receiving assistance from some other source such as a State general assistance plan operated with no Federal funding). H. R. 16311 would also increase the income of families with an employed father since they would be eligible for a Federal Family Assistance payment although not for a State supplemental payment.

Under H. R. 16311, a family with a father who was fully employed and earning $2000 per year would have slightly less income than the family of an unemployed father with part-time earnings of $1000 and about $400 less income than a family in which the father earned the same $2000 but on a part-time rather than full-time basis. If the father were totally unemployed with no earnings, his family would have an income of $2200.

CHART SIX

Impact of H.R. 16311–State B

Needs standard for family of 4 -- $2,200; full ~~need met~~; families with unemployed fathers not now aided

Family of 4 headed by–	Income under present law	Income under H.R. 16311
Mother, earnings of $2,000, work expenses $30 per month	AFDC $1,467 Earnings 2,000 3,467	FAP $960 Suppl't 387 Earnings 2,000 3,347
Unemployed father, no earnings	None	FAP $1,600 Suppl't 600 2,200
Unemployed father, part time earnings of $1,000, work expenses $15 per month	Earnings $1,000 1,000	FAP $1,460 Suppl't 553 Earnings 1,000 3,013
Employed father, earnings of $2,000, work expenses $30 per month	Earnings $2,000 2,000	FAP $960 Earnings 2,000 2,960
Unemployed father, earnings of $2,000, work expenses $30 per month	Earnings 2,000 2,000	FAP $960 Suppl't 387 Earnings 2000 3,347

CHART 7 -- IMPACT OF H.R. 16311 -- NEW YORK CITY

This chart gives examples of welfare payments under present law and under H.R. 16311 for different families in New York City. Since the New York needs standards exceeds the poverty line as defined in the bill, no Federal matching would be provided for that part of the State payment related to the portion of the needs standard which exceeds the poverty line. These unmatched payments are shown in this chart as "State funds."

The first example describes a family composed of a mother and three children in which the mother is employed on a full-time basis for the minimum wage of $1.60 per hour, earning a total of $3320 per year. This family would get close to $500 less per year under H.R. 16311 than it gets now. This reduction would result from the elimination of the present $60 allowance for work expenses as a separate item in computing the amount of earnings to be disregarded.

In each of the other three examples the payments under present law and under H.R. 16311 would be the same. This is substantially different from the results for similar families in the States described in the preceding two charts. New York, unlike most States, not only provides AFDC payments for families with unemployed fathers but also makes payments to low-income families headed by a fully employed father. This general assistance program is financed entirely with State funds.

In this New York example, under both present law and H.R. 16311, a family of four with a father working full-time for the minimum wage would have an income of $10 per month more than if the father worked sporadically and earned only $600. Full-time earnings of $3320 would give this family a net increase in annual income of $720 over what it would have if the father were not working at all.

CHART SEVEN

Impact of H.R. 16311 -- New York City

Needs standard for family of 4 -- $3,960; full need met; families with both employed and unemployed fathers now aided

Family of 4 headed by-	Income under present law	Income under H.R. 16311
Mother, earnings of $3,320, work expense allowance $60 per month	AFDC $2,707 Earnings 3,320 6,027	FAP $300 Suppl't 1687 Earnings 3,320 State funds 240 5,547
Unemployed father, no earnings	AFDC $3,960 3,960	FAP $1,600 Suppl't 2,120 State funds 240 3,960
Unemployed father, part time earnings of $600, work expenses $15 per month	AFDC $3,960 Earnings 600 4,560	FAP $1,600 Suppl't 2,120 Earnings 600 State funds 240 4,560
Employed father, earnings of $3,320, work expense allowance $60 per mo.	Earnings $3,320 State funds 1,360 4,680	FAP $300 Earnings 3,320 State funds 1,060 4,680

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CHART 8 -- TREATMENT UNDER H. R. 16311 OF THE NON-WORKING AND WORKING POOR

Both the non-working and the working poor would be eligible for the basic Family Assistance payment.

In addition, the non-working poor would be eligible for supplementary payments from the States. However, H. R. 16311 would not require the States to supplement the basic FAP payment for the working poor, and would not provide for Federal matching for those States which might elect to provide supplements to this group.

In addition, the non-working poor would be eligible for Federally aided Medicaid, but the working poor would not be.

CHART EIGHT

Treatment under H.R. 16311 of

non-working poor	working poor
• Eligible for FAP	• Eligible for FAP
• State supplementation required (in most States)	• State supplementation not required
• Eligible for Medicaid	• Not eligible for Medicaid

CHART 9 -- FAMILIES RECEIVING PAYMENTS

This chart compares projections which have been made by the Department of Health, Education, and Welfare, concerning the number of families with children who would be receiving cash assistance payments under present law and under the proposed Family Assistance Plan. Families eligible for Family Assistance would, in general, include all those eligible for AFDC and many who are not eligible (primarily, families of the working poor). The AFDC projection shows an increase in the number of families eligible while the Family Assistance Plan shows a decrease over the same period.

The projected increase in the present AFDC program is from 2.2 million families in 1972 to 3.1 million families in 1976. This projection is based on an assumption that experience of the past 3 years with respect to the growth of the welfare rolls--whether from social causes, population growth, or increases in payment level--will continue.

The projection of the Department of Health, Education, and Welfare concerning the Family Assistance Plan indicate a decrease in the number of families receiving payments from 3.7 million families in 1972 to 2.7 million in 1976. This projected decrease is based not on past experience under present welfare programs but on an assumption that the income of families will rise over the 5-year period removing many of them from eligibility. The unemployment rate is assumed to remain constant at 3.5 percent, and there is no assumption that persons potentially eligible will, as a result of the new program, increase or decrease their work effort or otherwise change their behavior to a sufficient extent to affect the estimated number of persons eligible.

The projections of the Department of Health, Education, and Welfare are based on data developed for 1967 and 1968. In those years, the rate of unemployment was generally close to 3.5 percent. It should be noted, however, that in recent months the unemployment rate has risen to over 4 percent.

CHART NINE

Families Receiving Payments

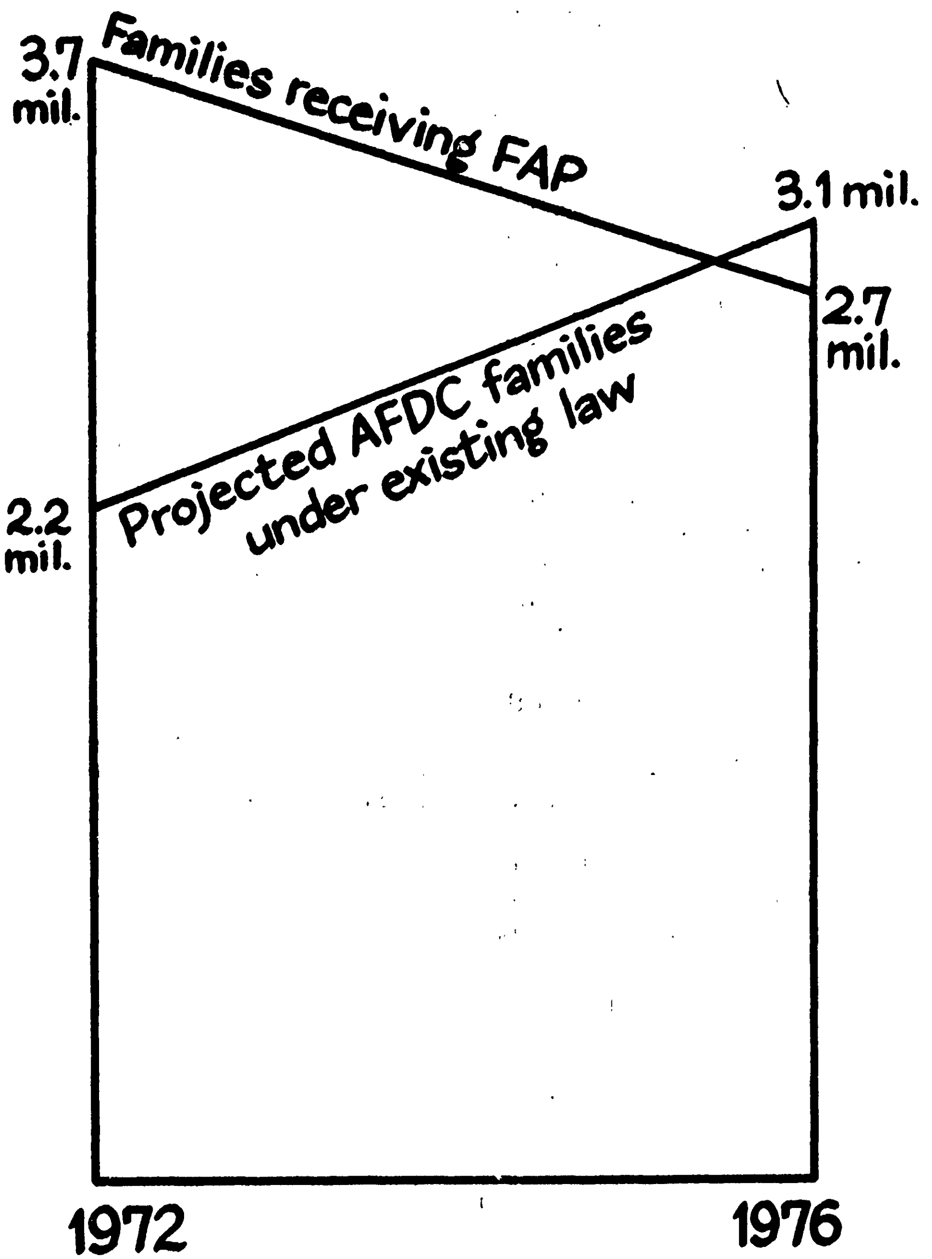

CHART 10 -- FEDERAL COST OF PAYMENTS TO FAMILIES

The Department of Health, Education, and Welfare has estimated the cost to the Federal Government of payments to families under H.R. 16311 at $4.7 billion for fiscal year 1972. This is $1.8 billion more than the Department's projection of AFDC costs for that year. Under their projections and assumptions, however, it is estimated that by 1976 the Federal cost of payments to families under H.R. 16311 would be less than the projected $5 billion Federal cost of AFDC.

In arriving at future cost figures for AFDC, the Administration has merely projected the increases which the program has experienced over the last three years. Between fiscal years 1970 and 1971 the AFDC rolls are estimated in the budget to increase by 224,000 families and the average monthly payment per family by $3.15.

The estimates for Federal costs for FAP are based on the assumption that the levels of family assistance payments will not be increased, and that there will be no change in behavior patterns of recipients if the House bill is enacted. It should also be noted that the estimates are based on an unemployment rate of 3.5%.

The Administration's cost estimates for the Family Assistance Plan have been projected on the basis of a 1967 census survey made at the request of the Office of Economic Opportunity. The survey included 30,000 families and the income data acquired was for the 1966 calendar year.

If it is assumed that the number of families aided under H.R. 16311 will increase at about the same annual rate as the number of AFDC families are projected to increase under present law, Federal costs would rise to $6.5 billion in 1976.

If it is assumed that the number of families aided under H. R. 16311 will not decline annually, Federal costs would rise to at least $6.5 billion in 1976.

CHART TEN

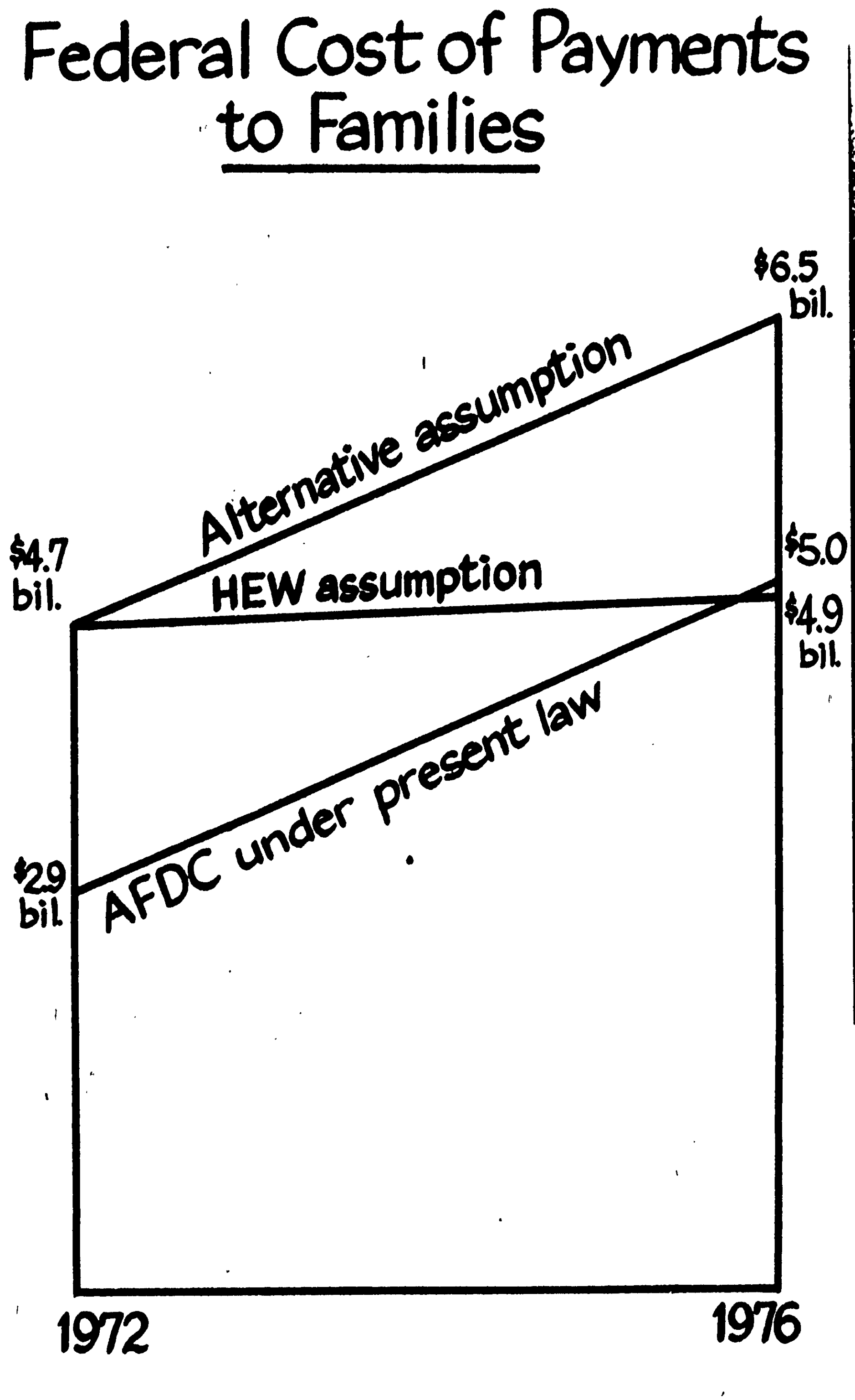
Federal Cost of Payments to Families
$6.5 bil.
Alternative assumption
$4.7 bil.
HEW assumption
$5.0
$4.9 bil.
AFDC under present law
$2.9 bil.
1972
1976

CHART 11 -- FAP: FEDERAL REVENUE SHARING

This chart shows the extent to which the increased Federal expenditures for payment to families will be used to replace States' dollars presently spent on welfare. In 1972, the estimated cost to the Federal treasury of the Family Assistance Plan is $4.7 billion. This is an increase of $1.8 billion over the anticipated 1972 Federal AFDC costs of $2.9 billion. Of this $1.8 billion, about $1/2 billion will constitute fiscal relief to the States, while the remaining $1.3 billion will go to recipients.

CHART ELEVEN

FAP: Revenue Sharing

Additional Federal Dollars in 1972

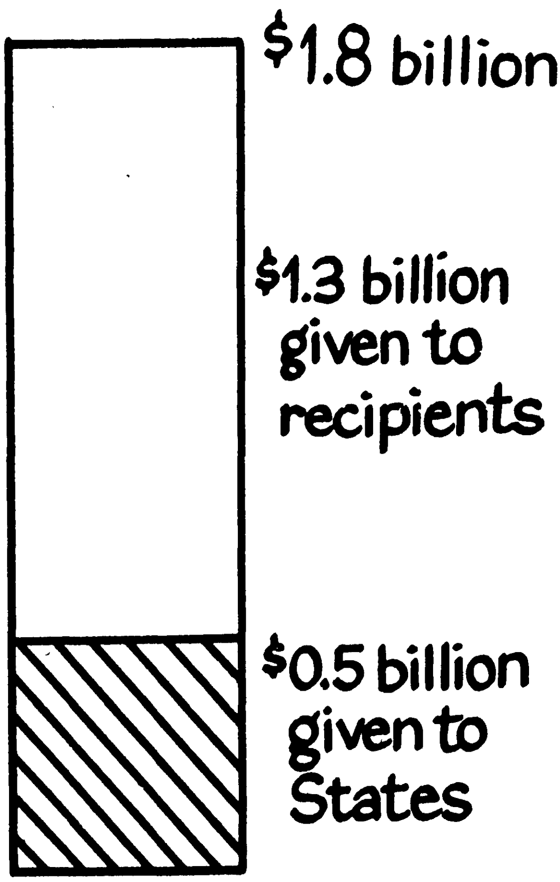

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CHART 12 -- FEDERAL AND STATE SHARING IN COST OF BENEFITS TO FAMILIES

In fiscal year 1972, the first year of operation of the Family Assistance Plan under H. R. 16311, the Department of Health, Education, and Welfare has estimated that the total cost of payments to families would be $6.8 billion. About $4.7 billion of this amount would be paid by the Federal Government for Federal family assistance payments and for the Federal share of State supplementary payments. The States would pay an additional $2.1 billion for their share of State supplementation of the Federal payments.

The Department of Health, Education, and Welfare has estimated that the costs to the Federal Government of the family benefits will increase only to $4.9 billion by 1976. This total reflects a decrease between 1972 and 1976 in the cost for the Federal FAP payment of $85 million per year, but an annual increase of $135 million in the cost to the Federal Government of providing 30% matching for State supplements.

According to the Department's estimates, the cost to the States of making supplementary payments would increase from $2.1 billion in 1972 to $3.4 billion in 1976.

These figures relate only to the cost of benefits paid to recipients, and do not include the cost of administration, work training, or child care.

CHART TWELVE

Federal and State Sharing in Cost of Benefits to Families

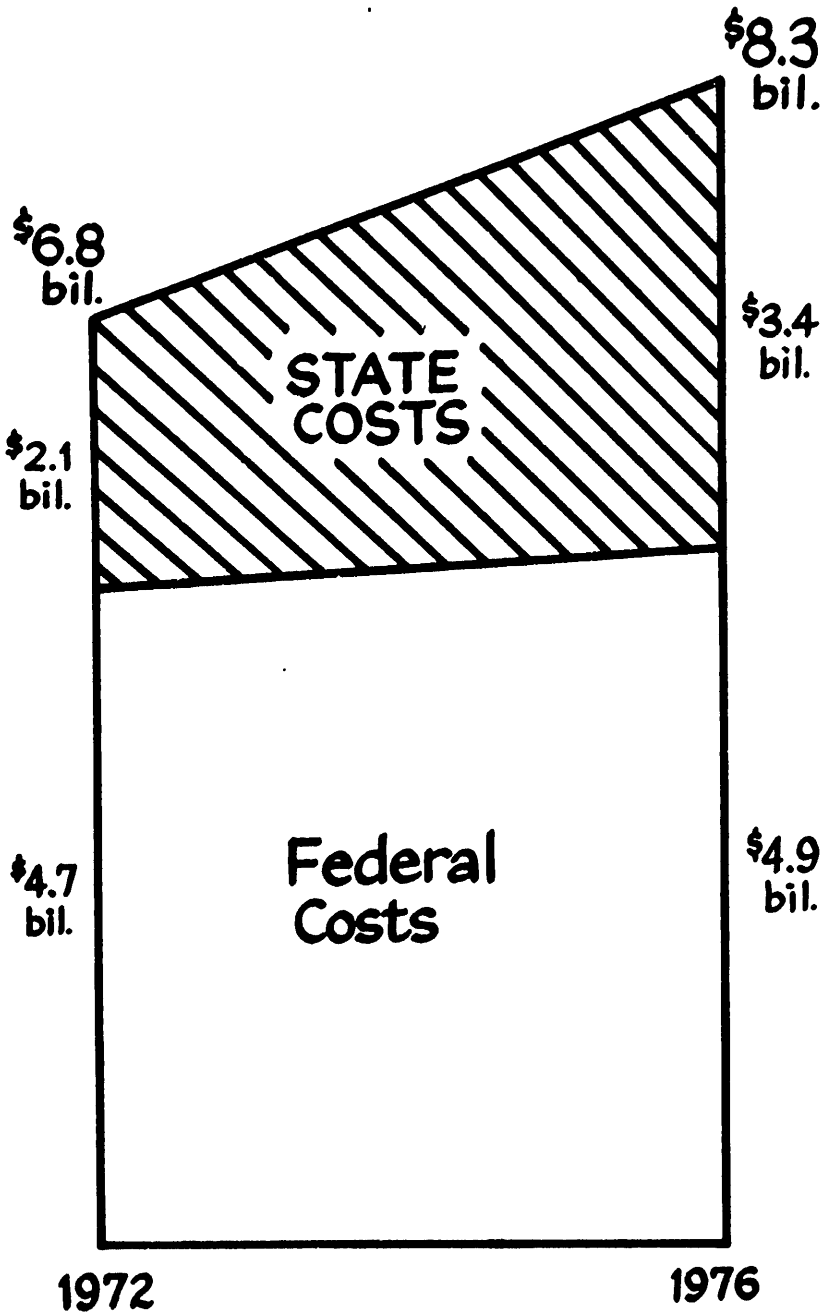


CHART 13 -- WORK INCENTIVE FEATURES

Under the present AFDC program State welfare agencies are required to refer to the Department of Labor all individuals whom they determine to be appropriate for employment or training. Federal law requires the States to exclude from referral (1) children under 16, or under 21 if they are attending school; (2) persons who are ill, disabled, or aged, and (3) persons who must care for another member of the household who is ill. Unemployed fathers must be referred within 30 days of receipt of assistance.

Regulations on State referral policies are issued by the Department of Health, Education, and Welfare. The law requires the Department of Labor to find employment for those who are referred, or to place them in a training program or in a special work project.

H. R. 16311 would require registration with the employment service of all individuals receiving assistance under FAP except (1) a child under 16, or 21 if attending school, (2) a person who cannot work because he is ill, disabled, or aged, (3) a person whose presence in the home is required to care for another member of the household who is ill or disabled, (4) the mother of a child under 6, (5) the mother in a family in which the father is registered. Under both present law and H. R. 16311, persons in excluded categories may volunteer for employment and training services.

The Department of Labor would be free to establish its own priorities in regard to those who are selected for employment or training services and the kind of services which would be provided for any individual.

In order to provide an incentive to work, present law requires the States to disregard the first $30 a month of earnings, plus one-third of additional earnings, plus expenses of going to work (as determined by the States). H. R. 16311 provides for an earnings disregard of generally comparable impact.

Present law provides for a training allowance of up to $30 a month. H. R. 16311 would provide for a training allowance of at least $30 a month.

Under both present law and H. R. 16311 an individual refusing to participate would not be eligible to receive assistance payments. The other members of the family retain eligibility.

CHART THIRTEEN

Work Incentive Features

Present law	H.R. 16311
• Person referred if State finds appropriate, unless -child under 16 (or under 21 attending school) -ill, disabled, or aged -caring for ill member of household	• Registration required unless person is -child under 16 (or under 21 attending school) -ill, disabled, or aged -caring for ill member of household -mother of child under 6 -mother in family where father registers
• Persons must be placed in employment, training, or work project	• Left to discretion of Department of Labor
• State must disregard work expenses, $30 of earnings plus 1/3 of additional earnings.	• Impact of disregard generally same as present law
• $30 training allowance	• Training allowance at least $30
• Payment stopped for refusal to participate	• Same as present law

CHART 14 -- WIN OPERATION IN FISCAL 1969

The general development of WIN in terms of available funds expended and the number of persons in actual training continues at a relatively slow rate.

The following chart shows this slow development for the only full fiscal year for which we have statistics available. The first column shows the amount appropriated by Congress for fiscal 1969, a total of $117.5 million, while the second column shows the distribution of the $37.4 actually used:

Work Incentive Program, Fiscal Year 1969
(dollars in millions)

	Appropriations	Funds used
On-the-job-training	$ 22.1	$ 0.8
Institutional training	58.6	21.7
Other training	12.3	10.7
Day Care	24.5	4.2
Total	117.5	37.4

Similarly, in terms of the average number of participants projected and the actual average number during the fiscal year, the following differences are noted:

Average Number of Participants

	Projected	Actual
On-the-job-training	15,300	500
Institutional training and work experience	44,100	14,400
Special Work Projects	10,000	300
Total	69,400	15,200

Funds were provided for day care for an average of 49,900 children in fiscal 1969, but the number of children actually receiving such care averaged only 14,600.

The Department of Labor estimated at the Senate Appropriation hearings on November 19, 1969, that WIN enrollment would reach 150,000 by June 1970. The budget which was submitted in January reduced that figure to 100,000. At the end of February 79,830 AFDC recipients were enrolled in WIN, but 21,775 of those individuals were simply awaiting training or employment. At the present rate of enrollment, it is questionable whether even the budget estimate will be met.

The Administration states that it will seek funds for 225,000 additional training slots for the first full year of the Family Assistance Plan.

CHART FOURTEEN

WIN Operations in Fiscal 1969

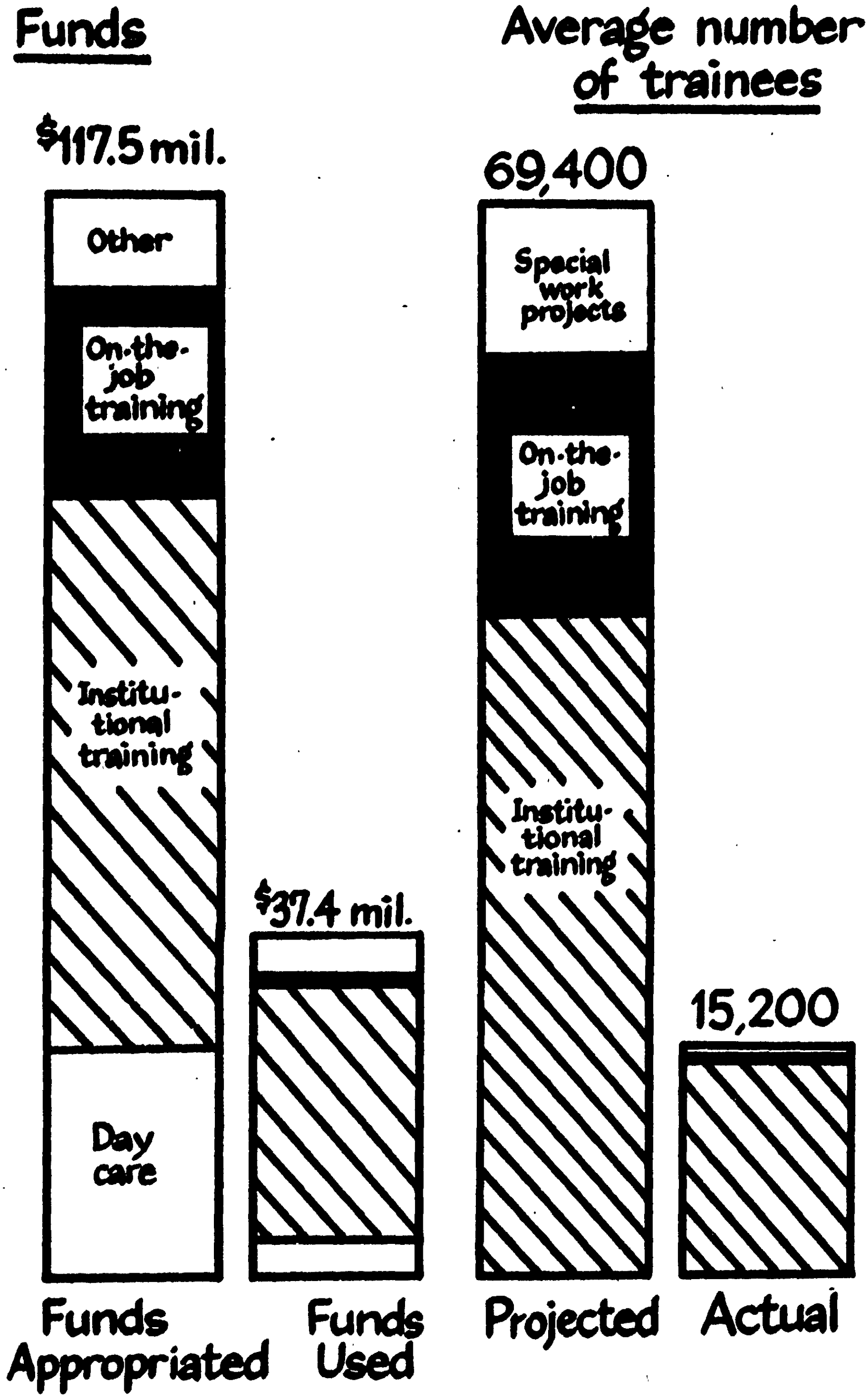


CHART 15 -- WELFARE SAVINGS FROM WIN PROGRAMS

This chart shows the impact on the total cost of Aid to Families with Dependent Children if WIN had not been in effect since August 1968. Program costs for January 1970 would have been $343 million without WIN as compared with an actual cost of $341 million. During the period August, 1968, to January, 1970, 13,013 persons who had participated in the WIN program were removed from welfare. The average dollar saving per person removed from the rolls was $140 a month. It might also be noted that the number of persons removed from the rolls rose to about 1,000 persons a month by June, 1969, but since that time has not increased substantially.

All the savings from the WIN program, of course, are not realized wholly by persons who leave the rolls completely, since such training may also mean higher earnings and reduced welfare payments. On the other hand, it is reasonable to assume that many of the persons reflected in the above statistics would have found employment on their own.

CHART FIFTEEN

Welfare Savings from WIN Program

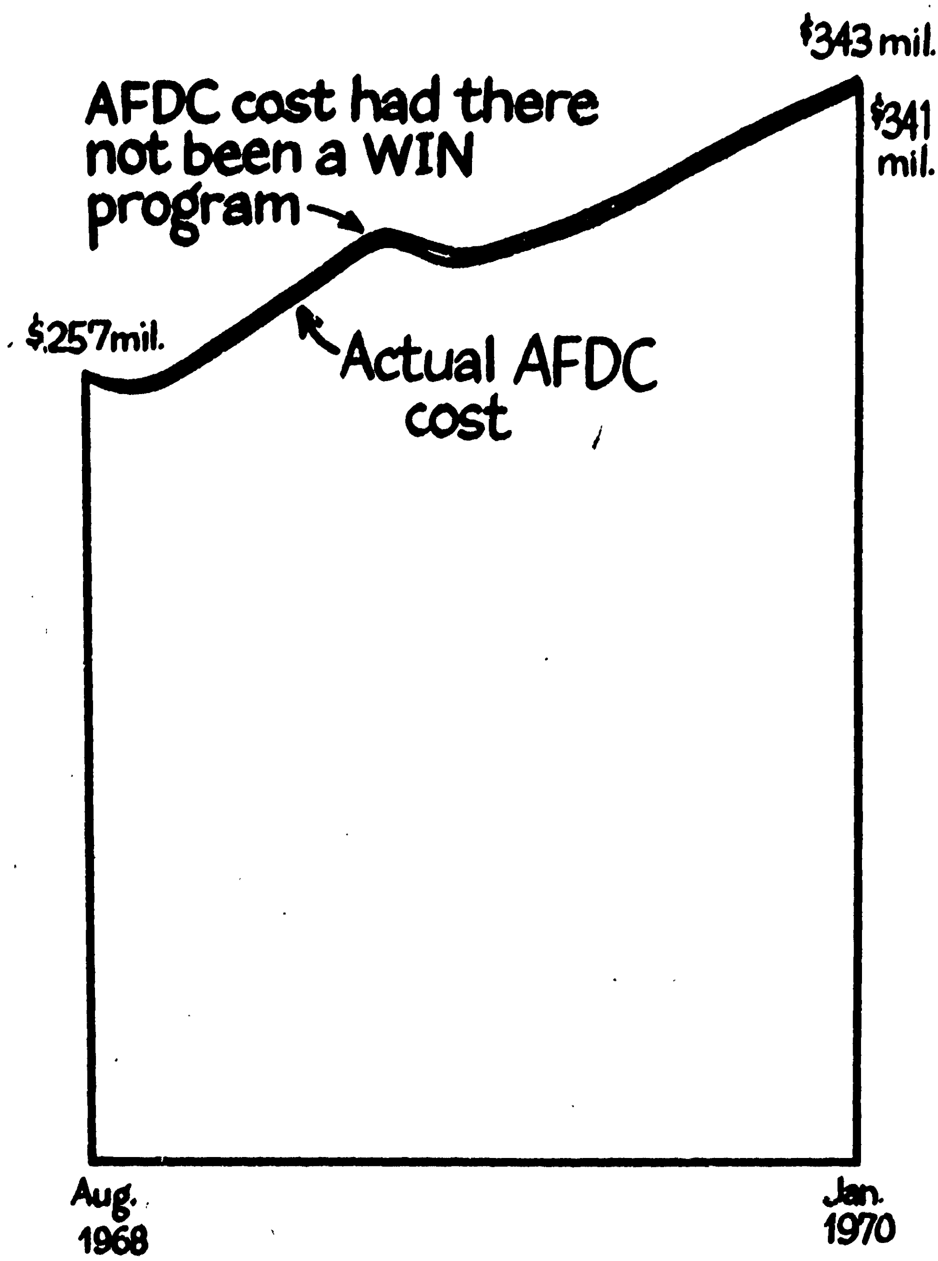


CHART 16 -- WIN PROBLEM AREAS

The following are some of the reasons for WIN's slow development and lack of promised impact.

Previous manpower training programs for welfare recipients (Community Work and Training and Work Experience) had been criticized for failure to incorporate substantial on-the-job training (OJT). At this stage of its development, the WIN program is subject to the same criticism. There are fewer than 500 people on OJT. The bill puts great stress on getting more people into OJT and the bill provides for an additional source of financing for such training. The immediate problems, however, are more in arranging such training than in financing it since funds have been available but unused.

In designing the WIN program, the Committee on Finance recognized the need for special work projects for those people who were not suitable for training or who had completed their training and for whom no job could be found. Although required by law to be established in all States, only one State has implemented this provision in a substantial way. The Committee on Ways and Means emphasized special work projects but modified provisions which they believed have inhibited program growth.

There seems to be general agreement that lack of day care has had a great inhibiting effect on welfare mother participation in the program. The House bill removes responsibility for day care from the State welfare agencies and places it on the Federal government (HEW) with up to 100% Federal contribution. The Administration maintains that it will provide services for 300,000 school age and 150,000 pre-school children in the first full year of operation of the program at a cost of $386 million ($26 million of which would be for renovation and staff training.) This has been questioned in view of WIN's performance where, after a year and a half, only about 60,000 children are being cared for.

Lack of referral of trainable people by some State welfare agencies has been cited as one of the problems of WIN. New York, for instance, has referred only about 5 percent of the people it has assessed while California--with a very similar welfare population--has referred about a third of those assessed. Bureaucratic rivalry between welfare and employment agencies which has existed in previous training programs has been carried over to WIN in some States. This situation, compounded by some lack of coordination at the Federal level between the Departments of Labor and HEW, has reduced the effectiveness of the program.

The Auerbach Corporation, which studied the WIN program, concluded that:

> "Lack of adequate transportation is a serious problem for many WIN projects; it affects the enrollees' ability both to participate in the program and to secure employment. In rural areas where WIN operates, many enrollees live miles from program facilities, and have neither cars nor access to public transportation. Even in large cities transportation poses problems, since sources of employment are increasingly locating on the suburban fringes of metropolitan areas, far from the neighborhoods where WIN participants live. It is now common to find situations, particularly in the East, where suburban jobs go begging while unemployment soars in the inner city."

The Ways and Means Committee also found that in some localities welfare mothers have great difficulty in transporting their children to distant day care facilities.

Lack of medical supportive services (physical examinations and the ability to remedy minor health problems) has been cited as a major problem by the Auerbach Corporation and in a survey of WIN projects which was conducted by the Ways and Means Committee.

As to lack of jobs, the Auerbach Corporation states:

> "Although the WIN concept is built around jobs for welfare recipients, there has been little investigation of the labor market to determine exactly where and how jobs can be obtained, and how many jobs are actually available or likely to become available for WIN enrollees. Now that the program is underway, there is a growing feeling among local WIN staff that many participants, women in particular, will not obtain jobs in the already tightly restricted labor market existing in many communities."

In a period of rising unemployment and without an effective program of OJT, special work projects, and job development, the problems of jobs for trainees may become much more acute.

CHART SIXTEEN

WIN Problem Areas

- Almost no on-the-job training
- Almost no special work projects
- Lack of day care
- In some States, lack of referrals from welfare agencies
- Lack of transportation to training, day care, jobs
- Lack of medical examinations and ability to correct medical problems
- Lack of jobs for trainees in tightening labor market

CHART 17 -- FEDERAL MATCHING FOR WORK INCENTIVES

H. R. 16311 provides for increases in Federal matching percentages for all aspects of the Work Incentive Program.

The Federal share for manpower employment and training services would be increased from 80% to 90%, with the State share of 10% payable in cash or kind.

The Secretary of Health, Education, and Welfare would be authorized to pay for up to 100% of day care for children of persons in work or training, instead of providing 75% matching to the States for expenditures for day care.

States would claim 90% Federal reimbursement for expenditures for health care deemed to be necessary to place a recipient in training or employment. Under present law a State is reimbursed for this expense under its Medicaid formula, under which Federal participation ranges from 50% to 83%, depending on the State's per capita income.

The Federal share for vocational rehabilitation services provided under the work and training program would be increased from 75% to 90%.

States would also receive 90% Federal reimbursement for supportive services which were deemed necessary for employment, an increase over the present Federal matching of 75%.

CHART SEVENTEEN

Federal Matching for Work Incentives

	Present Law	H.R. 16311
Employment training	80%	90%
Day care	75%	100%
Health care if needed for employment	50% to 83%	90%
Vocational rehabilitation	75%	90%
Supportive services for employment	75%	90%

CHART 18 -- AID TO THE AGED, BLIND, AND DISABLED

H. R. 16311 would substantially modify and broaden assistance programs for the aged, blind and disabled. It would establish a single Federal-State program for these recipients to replace the three existing programs of Aid to the Aged, Aid to the Blind, and Aid to the Permanently and Totally Disabled, and would establish nationally uniform eligibility requirements for these groups.

The bill would establish a Federal floor for income of recipients, requiring the States to have payment levels which would assure an eligible individual of an income of at least $110 a month ($220 for a couple). Present law does not provide for a minimum payment, and the States are free to establish their own standards of need and payment levels. In general, the standards and payment levels vary considerably among the categories of aged, blind and disabled. The blind currently have the highest average payment on a national basis.

Under the proposed bill, the Federal share would be 90 percent of the first $65, plus 25 percent of additional payments up to a maximum established by the Secretary of Health, Education, and Welfare. The Federal contribution would be calculated on the basis of the average payment in a State. Under present law, the Federal Government paid 67 percent of the cost nationally of assistance to the aged in fiscal year 1969.

Present law allows the States to establish their own definition of who is "blind" and "permanently and totally disabled." H. R. 16311 would require the Secretary of Health, Education, and Welfare to establish uniform national definitions; instead of "permanently and totally disabled," however, welfare eligibility would be broadened to include anyone the Secretary considered "severely disabled."

CHART EIGHTEEN

Aid to the Aged, Blind, and Disabled

Present Law	H.R. 16311
• State determines needs standard, amount of payment	• Welfare payment must bring income up to at least $110 per person
• Based on formulas in law, Federal Govt. paid 67% of cost nationally in fiscal year 1969	• Average payment is calculated; Federal share is 90% of first $65 plus 25% of balance up to limit set by Secretary
• State defines "blind," "permanently and totally disabled"	• Secretary defines "blind," "severely disabled"
	• Adds to welfare rolls more than one million persons (mostly aged couples)

CHART 19 -- ADMINISTRATION OF ASSISTANCE PROGRAMS

Under present law all public assistance programs, including Medicaid, are administered by the States. The Federal Government provides the States with 50% matching funds for the cost of administration.

H. R. 16311 provides for alternative administrative arrangements. The Federal FAP payment could, under the bill, be administered by the Federal Government or by the States under agreement with the Secretary of Health, Education, and Welfare. In fact, the Administration and the Ways and Means Committee have indicated that the FAP payment would be administered by a new Federal agency. The Federal Government would pay the full cost of administering the Federal payment.

In regard to the State supplementary payments, the States may elect to administer their own payments, in which case they would receive 50% Federal matching for the costs of administering the payments. As an inducement to the States to elect to enter into agreements with the Federal Government for Federal administration of the supplementary payments, however, the bill authorizes 100% Federal payment of the costs of administration if a State elects Federal administration.

The bill also provides for an alternative arrangement for administration of the adult program of Aid to the Aged, Blind, and Disabled. If a State elected to administer its own payments, it would receive 50% Federal matching for the costs of administration. If it elected to enter into an agreement with the Federal Government for direct Federal payments to recipients, the Federal Government would assume the full cost of administering the payments.

Medicaid would, under the proposal, continue to be administered by the States with 50% Federal matching for the costs of administration.

CHART NINETEEN

Administration of Assistance Programs

Present Law

- Administered by State welfare agency
- 50% Federal share

H.R. 16311

- Federal administration of FAP
- For supplementary payments, State may
  - administer, with 50% Federal sharing of costs, or
  - have Federal administration, with 100% of cost borne by Federal Government
- Secretary may enter into agreement with State to make direct payments to aged, blind, and disabled
- Medicaid administered by States

CHART 20 -- IMPACT OF H.R. 16311 ON MEDICAID

States are now required to provide medical assistance (Medicaid) to all recipients of cash public assistance under any of the Federally funded programs: AFDC, Aid to the Blind, Old-Age Assistance, and Aid to the Permanently and Totally Disabled. Under H. R. 16311, a number of persons would be newly eligible for State cash welfare payments. State Medicaid coverage would have to be extended to these persons if they are not already eligible under the present State program. An estimated two million persons would be newly eligible for Medicaid under the bill.

In addition, under H. R. 16311 health care would be provided with 90 percent Federal funding wherever such care was needed to enable a person getting Family Assistance or State supplemental payments to work or undertake work training. This would provide higher Federal funding than is the case with Medicaid (90 percent as compared with 50 to 83 percent) and would also make health care available to some of the working poor who would otherwise be excluded from Medicaid.

CHART TWENTY

Impact of H.R. 16311 on Medicaid

States must extend Medicaid to these new recipients:

- Aged, blind and disabled persons newly eligible for welfare because of increased needs standard
- "Severely" disabled persons who are not permanently and totally disabled
- Families with an unemployed father (in States not yet covering them)
- Other persons newly eligible for assistance because of liberalized Federal income and resource tests

State must provide health services (with 90% Federal share) to any person if it is "necessary to permit an individual . . . to undertake or continue manpower training and employment."

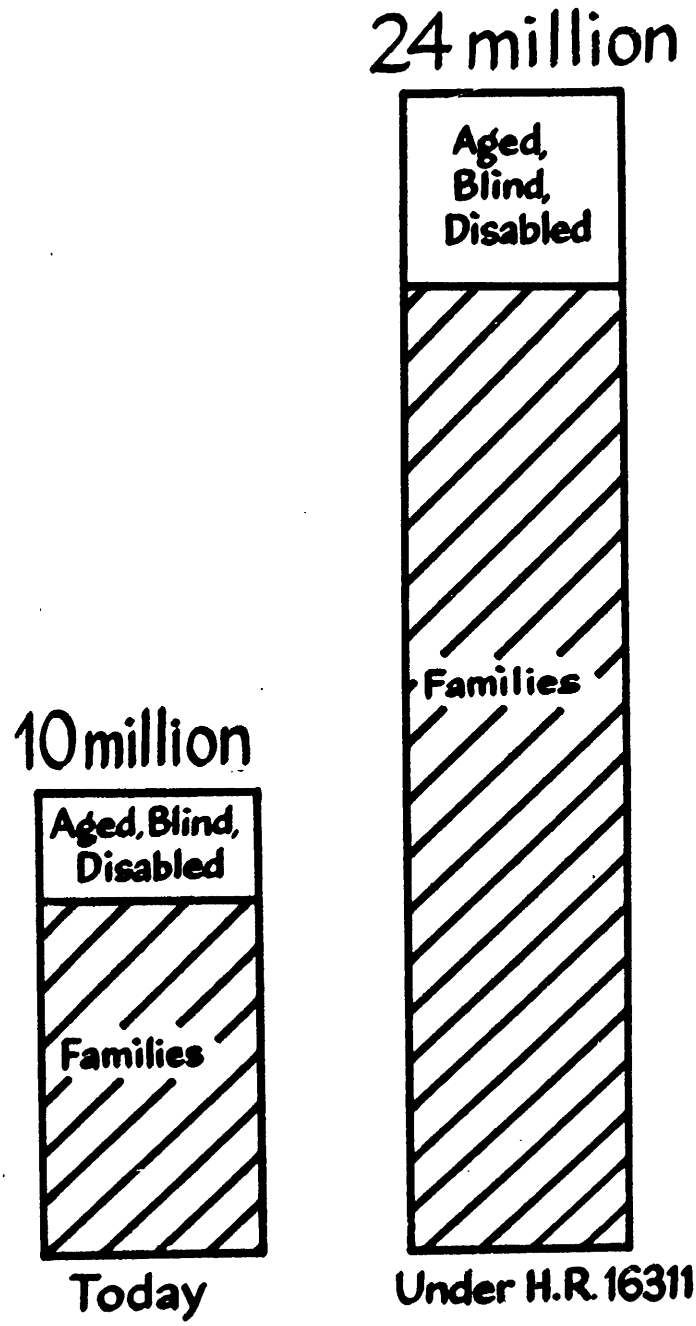
CHART 21 -- WELFARE RECIPIENTS UNDER H. R. 16311

There are presently about 10 million persons receiving Federally aided cash assistance payments. More than 7 million of these persons are in families with dependent children, while the rest are aged, blind, or disabled.

The Department of Health, Education, and Welfare estimates that in 1971, 20 million persons in families with children will be eligible for benefits under H.R. 16311, while at least 4 million aged, blind, and disabled persons will be eligible for benefits. Most of the persons newly eligible for family assistance benefits will be in families headed by a working father.

CHART TWENTY-ONE

Welfare Recipients Under H.R. 16311



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COMPARISON OF PRESENT LAW WITH PROPOSED LEGISLATION

1. Eligibility and benefits for families with children

Present Law	H.R. 16311 Family Assistance Act of 1970
1. Under the program of Aid to Families with Dependent children, States provide assistance to needy families when the father is dead, absent from the home, or incapacitated. At the State's option, assistance may also be provided when the father is unemployed. Each State establishes a minimum standard of living (needs standard) upon which assistance payments are based; any eligible family whose income is below the State needs standard will be eligible for some assistance. Generally speaking, all income and resources of the needy family must be considered in determining the amount of the assistance payment (a major exception is the disregard of a portion of earned income to provide an incentive for employment; see below). States also place limitations on the real and personal property a family may retain without being disqualified for assistance. Federal law does not require States to pay the full difference between a family's income and its needs standard; many States limit the amounts that can be paid to a family.	1. The existing program of cash payments to families with dependent children would be repealed. *Family assistance payments.*—Under the Family Assistance Plan, aid would be provided by the Federal Government to each family with children whose income counted under the bill is less than the family benefit level ($500 for each of the first two members of the family plus $300 for each additional member). A family with resources of more than $1,500 (other than a home and certain other excluded property) would not be eligible for family assistance payments. Generally speaking, the amount of family assistance would be the difference between a family's income and the family benefit level (a major exception is the disregard of a portion of earned income to provide an incentive for employment; see below). To be eligible for family assistance, the family would have to meet work registration requirements discussed below. *State supplementation.*—Each State whose AFDC payment level in January 1970 was higher than the family assistance payment would be required to supplement the family assistance payment. Supplementation would not be required when the father is employed, but would be required when he is unemployed. Generally speaking, the supplementary payment would be the difference between the family assistance payment and the lower of either the AFDC payment the family would have been eligible for in January 1970, or the poverty level as defined in the bill. (Special provisions for disregarding a portion of earned income are discussed below.)

2. Eligibility and benefits for other adults

Present Law	H.R. 16311 Family Assistance Act of 1970
2. Three categories of adults are eligible for Federally supported assistance: persons 65 and over, the blind, and permanently and totally disabled persons 18 years and older. As with Aid to Families with Dependent Children, each State establishes a minimum standard of living (needs standard) upon which assistance payments are based; any aged, blind, or disabled person whose income is below the State needs standard will be eligible for some assistance. Generally speaking, all income and resources of the aged, blind, or disabled person must be considered in determining the amount of the assistance payment (though a portion of earnings may be disregarded as a work incentive). States also place limitations on the real and personal property an aged, blind, or disabled individual may retain without being disqualified for assistance. Federal law does not require States to pay the full difference between the income of an aged, blind, or disabled individual and the State's needs standard; many States limit the assistance that can be paid. States may either have separate assistance programs for the aged, blind, and disabled, or may have a single combined program for all three groups.	2. The categories of persons eligible (the aged, blind, and disabled) would not be changed but States would be required to have a single combined plan for all three groups. States would be required to provide a payment sufficient to bring an individual's total income up to at least $110 a month. In evaluating need for assistance, States would have to allow resources of $1,500 (other than a home and certain other excluded property).

Present Law	H.R. 16311 Family Assistance Act of 1970
3. *Employment plan and referral of appropriate individuals.*—State and local welfare agencies set up a comprehensive plan for each family receiving Aid to Families with Dependent Children to lead them, where possible, to financial independence through employment. All appropriate individuals are referred to the Labor Department; day care and other needed services are provided by the welfare agency. The welfare agencies determine who is appropriate for enrollment and training, based on an evaluation of each individual family. Federal law states that the following persons may not be considered appropriate: (1) children under age 16 or 21, if attending school; (2) any person whose illness, incapacity, advanced age or remoteness from a project precludes effective participation in work or training; or (3) persons required in a home to provide continuing care to an ill or incapacitated member of the household. Individuals referred by the welfare agency are to be placed by the Labor Department in one of three groups, in this order of priority: (1) immediate placement in employment; (2) placement in employment training, and (3) placement in special work projects under public or certain nonprofit private agencies.	3. The existing Work Incentive Program would be repealed. *Registration with Public Employment Service.*—Each member of a family would be required to register for employment or training with a public employment office unless he or she is (1) ill, disabled, or aged; (2) a mother caring for a child under 6; (3) a mother in a family whose father registers; (4) caring for an ill member of the household; or (5) a child under 16, or under 21 and in school. Any person who falls in one of these exempt categories could register voluntarily. *Employment plan and work training.*—The Labor Department, according to its priorities would develop an employment plan for each individual registered. To the extent resources permit, the services and training called for under the plan would be provided. The services and training provisions of the bill are patterned after those in the Work Incentive Program under present law. The State welfare agency would be required to provide health care and other services to facilitate the participation of individuals in the training program. Trainees would receive a monthly training allowance of $30 (or it may be even more, if they participate in an institutional program where allowances are payable under the Manpower Development and Training Act) in addition to their welfare payment.
Work incentive through earnings exemption.—States must disregard, for purposes of determining need for assistance, an individual's expenses which may reasonably be attributed to the earning of income (such as transportation costs, etc.). In addition, States must disregard the first $30 in monthly earnings plus one-third of additional earnings of the family. *Employment training.*—Those individuals who are appropriate for employment training receive classroom or on-the-job training arranged by the Labor Department. Trainees	*Work incentive through earnings exemption.*—For purposes of both family assistance payments and State supplementary payments, the first $60 of income earned in a month would have to be disregarded in determining the amount of the payment (though no allowance would have to be made for the individual's expenses attributable to work, other than child care). Earnings needed to pay for child care would have to be disregarded. For purposes of the *family assistance payment*, one-half of earnings above $60 monthly would have to be disre-

Present Law	H.R. 16311 Family Assistance Act of 1970
may receive a monthly training allowance of up to $30 in addition to their welfare payment. Once placed in regular employment after training, these persons are eligible for the earnings exemption discussed above.	garded. For purposes of the *State supplementary payment*, States would have to disregard (1) one-third of additional earnings up to twice the amount the monthly family assistance payment would be if the family had no income (for a family of 4, one-third of earnings between $60 and $327 monthly), and (2) one-fifth of earnings above that amount. These earned income exemption formulas result in total assistance payments generally very close to those under existing law.
Special work projects.—Persons not placed in employment or who are not appropriate for employment training are placed in special work projects under public agencies or nonprofit private agencies organized for a public service purpose. The employee is paid wages just as other employees; wages must be at least as high as the sum of (1) the amount formerly received in welfare plus (2) 20 percent of the wages. The employer bears part of the cost of the wages, and the welfare agency pays the employer an amount equal either to the former welfare payment or 80 percent of the wages, whichever is smaller; each employee must be reevaluated at least every 6 months for placement in training or regular employment.	*Special work projects* are authorized but not required; the financing mechanism of existing law is eliminated.
Refusal to accept training or employment.—If a person refuses to accept work or undertake training without good cause, the welfare agency is informed and, unless the person returns to the program within 60 days, his welfare payment is terminated. Protective and vendor payments are continued, however, for the dependent children.	*Refusal to register or to accept training or employment.*—If a person without good cause refuses to register, accept work, or undertake training, his portion of the family assistance payment would be terminated. The balance of the payment may be made to a person outside the family, where appropriate, under a protective payment arrangement.
Welfare of the children.—Federal law prohibits the designation of a mother as appropriate for referral to the Labor Department unless and until suitable day care is provided for her children. The law provides that the day care must meet standards required by the Secretary of Health, Education, and Welfare.	*Welfare of the children.*—The Department of Health, Education, and Welfare would be required to provide necessary child care services for the children of individuals participating in training or employment.

4. Administration

Present Law	H.R. 16311 Family Assistance Act of 1970
4. *Aid to families with dependent children.*—Program is administered by welfare agencies in States and localities; the Federal Government pays 50% of the cost of program administration.	4. *Family assistance payments and State supplementary payments.*—States would be offered three alternatives: (1) Federal administration of both payment programs; (2) under agreement with the Department of Health, Education, and Welfare, the State could administer both payment programs; or (3) Federal administration of family assistance payments and State administration of State supplementary payments. The Federal Government would pay the full cost of administering the family assistance payments under any alternative; it would pay the full cost of administering the State supplementary payments under the first alternative, but only half of these costs under the second and third alternatives.
Work and training.—The Labor Department has responsibility for employment training and placement under the Work Incentive Program.	*Work and training.*—The Labor Department would be responsible for development of an individual's employment plan and for implementation of that plan; the Department of Health, Education, and Welfare would have to arrange for child care, while State welfare agencies would have to provide for health care and other supportive social services.
Aid to the aged, blind, and disabled.—Program is administered by welfare agencies in the States and localities; the Federal Government pays 50% of the cost of program administration.	*Aid to the aged, blind, and disabled.*—The States could either (1) continue to administer assistance to these groups or (2) enter into an agreement for the Federal Government to perform a part or all of the administrative functions involved in the program. Any Federally performed administration would involve no State cost.

5. Federal financial participation

Present Law	H.R. 16311 Family Assistance Act of 1970
5. *Assistance payments.*—Federal financial participation is based on one of two alternatives, at the State's option: (1) the Federal matching percentage for Medicaid (ranging from 50% to 83%, depending on State per capita income) is applied to *all* expenditures for assistance payments; or (2) Federal matching is based on a formula applied to average assistance payments up to certain limits. Under the second alternative, the State determines the average monthly payment. For *Aid to Families with Dependent Children*, Federal matching applies only to to the first $32; the Federal share is 15/18 of the first $18 (or less) plus the "Federal percentage" (ranging from 50% to 65%, depending on State per capita income) times the next $14 (or less).	5. *Family assistance program.*—The Federal Government would pay the full cost of benefits and administration. *State supplementary payments.*—The Federal Government would pay 30% of the cost of State supplementary payments. There would be no Federal financial participation in (1) payments to families where the father is employed, and (2) the portion (if any) of the supplementary payment which, when added to the family assistance payment, exceeds the poverty level defined in the bill ($3,720 for a family of four). At the option of the State, the supplementary payment would either be administered by the Federal Government (with no State cost) or by the State (with 50% Federal sharing in the cost of administration).
Aid to the aged, blind, and disabled, Federal matching applies only to the first $75; the Federal share is 31/37 of the first $37 plus the "Federal percentage" times the next $38 (or less).	*Aid to the aged, blind, and disabled.*—The average monthly assistance payment would be calculated. The Federal Government would pay 90% of the first $65 and 25% of the remainder up to a limit set by the Secretary of Health, Education, and Welfare.
Employment training.—The Federal Government pays 80% of the cost of employment training under the Work Incentive Program; the 20% State share may be in cash or in kind.	*Employment training.*—The Federal Government would pay 90% of the cost of the training program; the 10% State share could be in cash or in kind.
Child care and other social services.—The Federal Government pays 75% of the cost of child care and other necessary social services as part of the comprehensive plan for each family.	*Child care, health care and other supportive social services.*—The Federal Government would pay up to the full cost of child care and 90% of the cost of health care and other services to facilitate the participation of individuals in the training program.
Administrative costs.—The Federal Government pays 50% of the cost of program administration.	*Savings provision.*—For 2 fiscal years, States would be assured of not incurring additional costs as a result of enactment of the bill.

6. Effective date

Present Law	H.R. 16311 Family Assistance Act of 1970
6. Each State was required to participate in the Work Incentive Program no later than July 1, 1969.	6. The provision authorizing 100% Federal funds to support child care projects would be effective upon enactment of the bill. All other provisions of the bill would be effective July 1, 1971, with special provision made for States with statutes that would prevent them from complying with the bill at that time.

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