PUBLIC ASSISTANCE AMENDMENTS OF 1977

HEARINGS

BEFORE THE

SUBCOMMITTEE ON PUBLIC ASSISTANCE

OF THE

COMMITTEE ON FINANCE

UNITED STATES SENATE

NINETY-FIFTH CONGRESS

FIRST SESSION

ON

H.R. 7200

A BILL TO AMEND THE SOCIAL SECURITY ACT TO MAKE NEEDED IMPROVEMENTS IN THE PROGRAMS OF SUPPLEMENTAL SECURITY INCOME BENEFITS, AID TO FAMILIES WITH DEPENDENT CHILDREN, CHILD WELFARE SERVICES, AND SOCIAL SERVICES, AND FOR OTHER PURPOSES

JULY 12, 18, 19, AND 20, 1977

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PUBLIC ASSISTANCE AMENDMENTS OF 1977

TUESDAY, JULY 12, 1977

U.S. SENATE,
SUBCOMMITTEE ON PUBLIC ASSISTANCE
OF THE COMMITTEE ON FINANCE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:05 a.m. in room 2221, Dirksen Senate Office Building, Hon. Daniel P. Moynihan (chairman of the subcommittee) presiding.

Present: Senators Long, Hathaway, Moynihan, Dole, Packwood, and Danforth.

Senator MOYNIHAN. Good morning.

The subcommittee will come to order. We would like to first take the pleasure of acknowledging the singular honor of having the majority whip in our presence today, Senator Cranston. His legislation is very closely associated with that which is before us and which we will be taking up. We look forward to hearing Senator Cranston if he wishes to comment.

[The committee press release announcing these hearings and the bill H.R. 7200 follow. Oral testimony commences on p. 550.]

U.S. SENATE,
COMMITTEE ON FINANCE,
SUBCOMMITTEE ON PUBLIC ASSISTANCE,
DIRKSEN SENATE OFFICE BLDG.,
June 29, 1977.

FINANCE SUBCOMMITTEE ON PUBLIC ASSISTANCE SETS HEARINGS ON PUBLIC ASSISTANCE AMENDMENTS

The Honorable Daniel Patrick Moynihan (D., N.Y.), Chairman of the Subcommittee on Public Assistance of the Committee on Finance, announced today that the Subcommittee will hold hearings on H.R. 7200, a bill passed by the House of Representatives which deals with the programs of supplemental security income (SSI), social services, child welfare services, aid to families with dependent children (AFDC), and child support. Senator Moynihan stated that the Subcommittee will consider the provisions of the House-passed bill and related proposals concerning these programs.

The hearings will begin at 10:00 a.m. in Room 2221 Dirksen Senate Office Building on Tuesday, July 12, 1977, with further hearings held in the same room beginning 10:00 a.m. on Monday, July 18, 1977, and Tuesday, July 19, 1977. The Honorable Joseph A. Califano, Jr., Secretary of Health, Education, and Welfare, will present the Administration's position on Tuesday, July 12.

Senator Moynihan noted that the Administration, at hearings held earlier this year by the Subcommittee, indicated a need for further time to develop its overall proposals for welfare reform. "The need to postpone action on basic structural reform of the national welfare system should not," Senator Moynihan said, "deter us from taking any action at all. I believe the Subcommittee will want to find ways to make existing programs work better and to provide on a temporary basis some of the relief from the burden of welfare costs which has been promised to our hard-pressed States and localities."

Senator Moynihan indicated that legislation which he has introduced (S. 1782) would provide such relief by making additional Federal funding available to the States and localities in connection with the program of aid to families with dependent children (AFDC). The bill would make available for fiscal year 1978 additional Federal funding totalling $1 billion allocated among the States in proportion to their December 1976 expenditures under the AFDC program.

Requests to testify.—The Chairman advised that witnesses desiring to testify during this hearing must submit their requests to Michael Stern, Staff Director, Committee on Finance, 2227 Dirksen Senate Office Building, Washington, D.C. 20510, not later than Friday, July 8, 1977. Witnesses will be notified as soon as possible after this cutoff date as to when they are scheduled to appear. Once the witness has been advised of the date of his appearance, it will not be possible for this date to be changed. If for some reason the witness is unable to appear on the date scheduled, he may file a written statement for the record of the hearing in lieu of a personal appearance. The hearings will be held in Room 2221, Dirksen Senate Office Building and will begin at 10:00 a.m. on Tuesday, July 12, Monday, July 18, and Tuesday, July 19.

Consolidated testimony.—Senator Moynihan also stated that the Subcommittee urges all witnesses who have a common position or with the same general interest to consolidate their testimony and designate a single spokesman to present their common viewpoint orally to the Subcommittee. This procedure will enable the Subcommittee to receive a wider expression of views than it might otherwise obtain. The Chairman urged very strongly that all witnesses exert a maximum effort to consolidate and coordinate their statements.

Legislative Reorganization Act.—Senator Moynihan stated that the Legislative Reorganization Act of 1946, as amended, requires all witnesses appearing before the Committees of Congress "to file in advance written statements of their proposed testimony, and to limit their oral presentations to brief summaries of their argument."

Witnesses scheduled to testify must comply with the following rules:

(1) A copy of the statement must be filed by the close of business two days before the day the witness is scheduled to testify.

(2) All witnesses must include with their written statement a summary of the principal points included in the statement.

(3) The written statements must be typed on letter-size paper (not legal size) and at least 75 copies must be submitted by noon the day before the witness is scheduled to testify.

(4) Witnesses are not to read their written statements to the Subcommittee, but are to confine their ten-minute oral presentations to a summary of the points included in the statement.

(5) Not more than ten minutes will be allowed for oral presentation.

Written Testimony.—The Chairman stated that the Subcommittee would be pleased to receive written testimony from those persons or organizations who wish to submit statements for the record. Statements submitted for inclusion in the record should be typewritten, not more than 25 double-spaced pages in length and mailed with five (5) copies by Friday, July 22, 1977, to Michael Stern, Staff Director, Committee on Finance, Room 2227 Dirksen Senate Office Building, Washington, D.C. 20510.

95TH CONGRESS
1ST SESSION

H. R. 7200

IN THE SENATE OF THE UNITED STATES

JUNE 15 (legislative day, MAY 18), 1977
Read twice and referred to the Committee on Finance

AN ACT

To amend the Social Security Act to make needed improvements in the programs of supplemental security income benefits, aid to families with dependent children, child welfare services, and social services, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Public Assistance Amendments of 1977".

TITLE I—SUPPLEMENTAL SECURITY INCOME PROGRAM

FOOD STAMP ELIGIBILITY FOR SUPPLEMENTAL SECURITY INCOME RECIPIENTS

SEC. 101. Effective July 1, 1977, section 8 of Public Law 93-233 is amended by striking out "June 30, 1977" where it appears—

(1) in the matter preceding the colon in subsection (a) (1), and in the new sentence added by such subsection, and

(2) in subsections (a) (2), (b) (1), (b) (2), (b) (3), and (f),

and by inserting in lieu thereof in each instance "October 1, 1978".

ATTRIBUTION OF PARENTS' INCOME AND RESOURCES TO CHILDREN

SEC. 102. (a) Section 1614 (c) of the Social Security Act is repealed.

(b) (1) Section 1612 (b) of such Act is amended—

(A) by striking out "a child who" in clause (1) and inserting in lieu thereof "under the age of 22 and";

(B) by striking out "a child" in clause (9) and inserting in lieu thereof "under age 18"; and

(C) by striking out "a child who is not an eligible individual" in clause (10) and inserting in lieu thereof

"an individual who is not an eligible individual or eligible spouse".

(2) Section 1614(a)(3)(A) of such Act is amended by striking out "a child" and inserting in lieu thereof "an individual".

(3) Section 1614(f)(2) of such Act is amended by striking out "a child under age 21" and inserting in lieu thereof "under age 18".

MODIFICATION OF REQUIREMENT FOR THIRD-PARTY PAYEE

SEC. 103. The second sentence of section 1631(a)(2) of the Social Security Act is amended by inserting before the period at the end thereof the following: ", unless, and only so long as, the Secretary determines, upon the certification of the physician attending such individual or spouse in the institution or facility where such individual or spouse is undergoing treatment as required by such section, that the payment of benefits directly to such individual or spouse would be of significant therapeutic value to him and that there is substantial reason to believe that he would not misuse or improperly spend the funds involved".

CONTINUATION OF BENEFITS FOR INDIVIDUALS HOSPITALIZED OUTSIDE THE UNITED STATES IN CERTAIN CASES

SEC. 104. The second sentence of section 1611(f) of the Social Security Act is amended by striking out the comma after "preceding sentence" and inserting in lieu thereof

"(1)", and by inserting before the period at the end thereof the following: ", and (2) an individual shall be treated as being inside the United States during any period of absence from the United States which is demonstrated to the satisfaction of the Secretary to be necessary in order to obtain inpatient hospital services, as defined in title XVIII for purposes of section 1814(f), if (A) the requirements of subparagraphs (A) and (B) of section 1814(f)(1) are met, or (B) the inpatient hospital services are emergency services and the requirements of subparagraphs (A) and (B) of section 1814(f)(2) are met".

EXCLUSION OF CERTAIN GIFTS AND INHERITANCES FROM INCOME

SEC. 105. Section 1612(a)(2)(E) of the Social Security Act is amended by inserting ", except that the Secretary may by regulation provide that gifts and inheritances which are not readily convertible into cash are not income" immediately after "inheritances".

INCREASED PAYMENTS FOR PRESUMPTIVELY ELIGIBLE INDIVIDUALS

SEC. 106. Section 1631(a)(4)(A) of the Social Security Act is amended by striking out "a cash advance against such benefits in an amount not exceeding $100" and inserting in lieu thereof "one or more cash advances against such benefits, the aggregate amount of which may

not exceed the aggregate amount of the benefits for which he is presumptively eligible under this title, including any federally administered State supplementary payments, for the first three months of such presumptive eligibility".

TERMINATION OF MANDATORY MINIMUM STATE SUPPLEMENTATION IN CERTAIN CASES

SEC. 107. Effective October 1, 1977, section 212(a)(2) of Public Law 93-66 is amended—

(1) by striking out "or" at the end of subparagraph (C);

(2) by striking out the semicolon at the end of subparagraph (D) and inserting in lieu thereof a comma; and

(3) by striking out the matter that follows subparagraph (D) and inserting in lieu thereof the following:

"(E) the first month after September 1977 for which such individual is not a resident of the State to which the provision of subparagraph (B) applies,

"(F) the first month after September 1977 for which the sum of such individual's title XVI benefit plus other income (as determined under paragraph (3)(C) and any periodic State supplement is equal to or exceeds the amount of such individual's December 1973 income (as determined under paragraph

(3) (B)) as reduced by the amount, if any, by which the amount of the supplementary payment payable under the agreement entered into under this subsection to such individual has been reduced under the provisions of paragraph (3) (D),

"(G) the first month after September 1977 for which such individual is ineligible to receive supplemental security income benefits under title XVI of the Social Security Act by reason of the provisions of section 1611 (e) (1) (A) (except in the case of an individual who is in a public institution which is a hospital, extended care facility, nursing home, or intermediate care facility), 1611 (e) (2) or (3), 1611 (f), or 1615 (c) of such Act, or

"(H) the first month after September 1977 for which such individual is ineligible to receive supplemental income benefits under title XVI of the Social Security Act by reason of the provisions of section 1611 (a) (1) (B) or (2) (B) of such Act;

except that no individual shall be eligible to receive such supplementary payment for any month, if, for such month, such individual is ineligible to receive supplemental security income benefits under title XVI of the Social Security Act by reason of the provisions of section 1611 (e) (1) (A) of such Act as they apply in the case of an individual who is

in a public institution which is a hospital, extended care facility, nursing home, or intermediate care facility.".

MONTHLY COMPUTATION PERIOD FOR DETERMINATION OF SUPPLEMENTAL SECURITY INCOME BENEFITS

SEC. 108. (a) (1) The first sentence of section 1611 (c) (1) of the Social Security Act is amended to read as follows: "An individual's eligibility for benefits under this title and the amount of such benefits shall be determined for each month.".

(2) The second sentence of section 1611 (c) (1) of such Act is amended by striking out "quarter" and inserting in lieu thereof "month".

(b) (1) Section 1612 (b) (3) (A) of such Act is amended—

(A) by striking out "quarter" and "calendar quarter" wherever they appear and inserting in lieu thereof "month"; and

(B) by striking out "$60" and inserting in lieu thereof "$20".

(2) Section 1612 (b) (3) (B) of such Act is amended—

(A) by striking out "quarter" and "calendar quarter" wherever they appear and inserting in lieu thereof "month"; and

(B) by striking out "$30" and inserting in lieu thereof "$10".

(c) The amendments made by this section shall be effective on such date as the Secretary of Health, Education, and Welfare determines to be administratively feasible, but not later than September 30, 1978.

ELIGIBILITY OF INDIVIDUALS IN CERTAIN MEDICAL INSTITUTIONS

SEC. 109. (a) Section 1611(e)(1)(A) of the Social Security Act is amended by striking out "subparagraph (B) and (C)" and inserting in lieu thereof "subparagraphs (B), (C), and (D)".

(b) Section 1611(e)(1) of such Act is amended by redesignating subparagraph (C) as subparagraph (D), and by striking out subparagraph (B) and inserting in lieu thereof the following new subparagraphs:

"(B) Except as set forth in subparagraph (C), in any case where an eligible individual or eligible spouse is in a hospital, extended care facility, nursing home, or intermediate care facility, such individual's benefit for the period ending with the third consecutive month throughout which he is in such hospital, home, or facility shall be determined as though he were continuing to reside outside the institution under the same conditions as before he entered the institution.

"(C) In any case where an eligible individual or eligible spouse is throughout any month in a hospital,

extended care facility, nursing home, or intermediate care facility, receiving payments (with respect to such individual or spouse) under a State plan approved under title XIX, and such month is either—

"(i) the first month in any period of eligibility under this title based on an application filed in or before such month, or a month in a continuous period of months beginning with such first month, throughout which such individual or spouse is in a hospital, extended care facility, nursing home, or intermediate care facility (whether or not receiving payments with respect to such individual or spouse for each month in such period), or

"(ii) the fourth consecutive month throughout which, or a month in a continuous period beginning with such fourth consecutive month throughout which, such individual or spouse is in a hospital, extended care facility, nursing home, or intermediate care facility (whether or not receiving payments with respect to such individual or spouse for each month in such period),

the benefit for such individual for such month shall be payable—

"(iii) in the case of an individual who does not have an eligible spouse, at a rate not in excess of $300

per year (reduced by the amount of any income of such individual which is not excluded pursuant to section 1612(b));

"(iv) in the case of an individual who has an eligible spouse, if only one of them is in such a hospital, home, or facility throughout such month, at a rate not in excess of the sum of—

"(I) the rate of $300 per year (reduced by the amount of any income, not excluded pursuant to section 1612(b), of the one who is in such hospital, home, or facility), and

"(II) the applicable rate specified in subsection (b)(1) (reduced by the amount of any income, not excluded pursuant to section 1612(b), of the other); and

"(v) in the case of an individual who has an eligible spouse, if both of them are in such a hospital, home, or facility throughout such month, at a rate not in excess of $600 per year (reduced by the amount of any income of either spouse which is not excluded pursuant to section 1612(b));

except that for purposes of any provision of law other than this subparagraph, any benefit determined under clause (iv) shall be deemed to be payable at a rate equal to the sum of the rate of $300 per year and the applicable rate specified in

subsection (b) (1), reduced by any income of either spouse which is not excluded pursuant to section 1612 (b).".

COST-OF-LIVING ADJUSTMENTS IN SUPPLEMENTAL SECURITY INCOME PAYMENTS TO INDIVIDUALS IN CERTAIN INSTITUTIONS

SEC. 110. (a) Section 1617 of the Social Security Act is amended by inserting ", and (e) (1) (B)" after "(b) (2)".

(b) The amendment made by subsection (a) shall apply as provided in section 116, taking into account determinations made under section 215 (i) of the Social Security Act in and after 1977.

EXCLUSION FROM INCOME OF CERTAIN ASSISTANCE BASED ON NEED

SEC. 111. (a) Section 1612 (b) of the Social Security Act is amended—

(1) by striking out "and" at the end of paragraph (10);

(2) by striking out the period at the end of paragraph (11) and inserting in lieu thereof "; and"; and

(3) by adding after paragraph (11) the following new paragraph:

"(12) any assistance which is based on need and is furnished by any private entity described in section 501 (c) (3) of the Internal Revenue Code of 1954

which is exempt from taxation under section 501 (a) of such Code unless such assistance is furnished in fulfillment of an obligation described in subsection (a) (2) (A) (ii).".

(b) The amendments made by subsection (a) shall become effective on the first day of the second calendar quarter beginning after the date of the enactment of this Act, but no later than September 30, 1978.

EXCLUSION OF CERTAIN ASSISTANCE PAYMENTS FROM INCOME

SEC. 112. Section 1631 (b) of the Social Security Act is amended by inserting "(1)" after "(b)", and by adding at the end thereof the following new paragraph:

"(2) No part of any benefit paid to an individual under this title for any month beginning before October 1, 1976, shall be considered an overpayment by reason of assistance paid under any provision of law with respect to a dwelling unit in which such individual was living if, under section 2 (h)) of the Housing Authorization Act of 1976, the value of assistance paid under that provision of law would not be considered as income or a resource for purposes of benefits under this title on or after that date.".

DEFINITION OF ELIGIBLE SPOUSE

SEC. 113. Effective with respect to months after September 1977, the first sentance of section 1614 (b) of the

Social Security Act is amended by striking out "for more than six months" and inserting in lieu thereof "for more than one month".

COORDINATION WITH OTHER ASSISTANCE PROGRAMS

SEC. 114. Effective October 1, 1978, section 1633 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"(c) (1) The Secretary shall take such actions as may be necessary and appropriate to coordinate the administration of the program under this title with the administration of the medical assistance program under title XIX and the food stamp program, in a manner which will facilitate the filing of claims for and receipt of benefits under all such programs.

"(2) In carrying out paragraph (1), the Secretary is authorized to enter into arrangements with the agencies administering the medical assistance and food stamp programs to provide that, whenever possible, claims for assistance under such programs may be filed at the same office where claims for benefits under this title are filed.

"(3) The Secretary is authorized to reimburse any public agency for any additional administrative expenses incurred by such agency under or by reason of an agreement or arrangement made between such agency and the

Secretary for the purpose of implementing the provisions of this subsection.".

ATTRIBUTION OF SPONSOR'S INCOME AND RESOURCES TO ALIENS

SEC. 115. Section 1614 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"Income and Resources of Alien's Sponsor

"(g) For purposes of determining eligibility for and the amount of benefits for any individual who is an alien and whose permanent residence in the United States begins after the date of the enactment of this subsection, there shall be imputed to such individual the income and resources of any person who, as a sponsor of such individual's entry into the United States, executed an affidavit of support or similar agreement with respect to such individual, for the duration of the assurances of support contained in such affidavit or agreement but for no longer than a period of three years after such entry; except that the preceding provisions of this subsection shall not apply with respect to any individual who is an 'aged, blind, or disabled individual' for purposes of this title by reason of blindness (as determined under subsection (a) (2)) or disability (as determined under subsection (a) (3)), from and after the onset of the impairment

involved, if such blindness or disability commenced after the date of such individual's admission to the United States.".

EFFECTIVE DATE

SEC. 116. Except as otherwise specifically provided in this title, the amendments made by this title shall apply with respect to months after the month following the month in which this Act is enacted, or with respect to months after September 1977, whichever is later, but shall in any event become effective no later than September 1, 1978.

TITLE II—PUBLIC ASSISTANCE PROGRAMS IN PUERTO RICO, THE VIRGIN ISLANDS, AND GUAM

EXTENSION OF SUPPLEMENTAL SECURITY INCOME BENEFIT PROGRAM TO PUERTO RICO, GUAM, AND THE VIRGIN ISLANDS

SEC. 201. (a) (1) Section 1614(e) of the Social Security Act is amended by striking out "and the District of Columbia" and inserting in lieu thereof ", the District of Columbia, Puerto Rico, the Virgin Islands, and Guam".

(2) Section 1101(a)(1) of such Act is amended—

(A) by inserting "XVI," after "XI," and

(B) by striking out the last sentence (as added by section 18(z-2)(1)(A)(ii) of Public Law 93-233).

(3) Section 303 (b) of the Social Security Amendments of 1972 is repealed.

(b) Section 1108 of such Act is amended by adding at the end thereof the following new subsection:

"(e) (1) In applying the provisions of—

"(A) subsections (a), (b), and (e) (1) of section 1611,

"(B) subsections (a) (2) (D), (b) (2), and (b) (3) of section 1612,

"(C) subsection (a) of section 1613,

"(D) section 1617, and

"(E) section 211 (a) (1) (A) of Public Law 93-66,

the dollar amounts to be used shall, instead of the figures specified (or referred to) in such provisions, be dollar amounts bearing the same ratio to the figures so specified as the per capita incomes of Puerto Rico, the Virgin Islands, and Guam, respectively, bear to the per capita income of that one of the States which has the lowest per capita income; except that in no case may the amounts so used exceed the figures so specified.

"(2) (A) The amounts to be used under such sections in Puerto Rico, the Virgin Islands, and Guam shall be promulgated by the Secretary between October 1 and November 30 of each even-numbered year, on the basis of

the average per capita income of each State for the most recent calendar year for which satisfactory data are available from the Department of Commerce. Such promulgation shall be effective for each of the two fiscal years in the period beginning October 1 next succeeding such promulgation.

"(B) The term 'State', for purposes of subparagraph (A) only, means the fifty States and the District of Columbia.

"(3) If the amounts which would otherwise be promulgated for any fiscal year for any of the three States referred to in paragraph (1) would be lower than the amounts promulgated for such State for the immediately preceding period, the amounts for such fiscal year shall be increased to the extent of the difference; and the amounts so increased shall be the amounts promulgated for such year.".

(c) The first sentence of section 1615(c)(3) of such Act is amended by striking out "(and for purposes" and all that follows and inserting in lieu thereof "bears to the under 7 population of all the States.".

(d) The amendments made by this section (except subsections (a)(3) and (c)) shall apply with respect to supplemental security income benefits payable under title XVI of the Social Security Act for months after March 1978. Subsections (a)(3) and (c) shall become effective April 1, 1978.

(e) The initial determination and promulgation of dollar amounts with respect to Puerto Rico, the Virgin Islands, and Guam under section 1108 (e) of the Social Security Act (as added by subsection (b) of this section) shall be made as soon as possible after the enactment of this Act and shall be conclusive for the six quarters in the period beginning April 1, 1978, and ending September 30, 1979; and the initial promulgation of the limitations applicable to Puerto Rico, the Virgin Islands, and Guam under section 1615 (c) (3) of the Social Security Act (as amended by subsection (c) of this section) shall be made as soon as possible after the enactment of this Act and shall be conclusive for the portion of the fiscal year ending September 30, 1978, which begins on April 1, 1978.

SOCIAL SERVICES ENTITLEMENT FOR PUERTO RICO, GUAM, AND THE VIRGIN ISLANDS

SEC. 202. (a) Section 2002 (a) (2) (B) of the Social Security Act is amended—

(1) by inserting "(i)" after "(B)";

(2) by striking out "at the earliest practicable date after the commencement of such fiscal year" and inserting in lieu thereof "prior to the commencement of such fiscal year";

(3) by striking out "is greater or less than"

each place it appears and inserting in lieu thereof "exceeds or is less than"; and

(4) by adding at the end thereof the following new subdivision:

"(ii) If—

"(I) any State which certified under subdivision (i) that its limitation for any fiscal year is equal to or less than the amount needed by the State (for uses to which the limitation applies) subsequently determines that the amount of such limitation exceeds the amount so needed, or

"(II) any State which certified under subdivision (i) that its limitation for any fiscal year exceeds the amount needed by the State (for such uses) subsequently determines that the amount of such limitation exceeds the amount so needed by more than the amount of the excess so certified,

such State shall certify to the Secretary the amount, or the additional amount, by which the limitation exceeds such need.".

(b) Section 2002 (a) (2) (C) of such Act is amended to read as follows:

"(C) If any State certifies—

"(i) in accordance with subparagraph (B) (i) that

the amount of its limitation for any fiscal year as promulgated under subparagraph (A) exceeds its need for such year, or

"(ii) in accordance with subparagraph (B) (ii) that the amount of its limitation for such fiscal year as so promulgated exceeds its need for such year or exceeds such need by an additional amount,

then such limitation shall be reduced by the amount of such excess or such additional excess; and the amount of the reduction shall be available for allotment as provided in subparagraph (D).".

(c) The proviso in section 2002(a) (2) (D) of such Act is amended—

(1) by striking out "the amounts made available" and inserting in lieu thereof "the amounts which have been made available as of any time during the fiscal year"; and

(2) by striking out "such amounts as are available" and inserting in lieu thereof "such amounts as have theretofore been made available".

(d) The amendments made by this section shall be effective with respect to fiscal years beginning after September 30, 1977.

REMOVAL OF CEILING ON FEDERAL MATCHING FUNDS FOR AFDC IN PUERTO RICO, GUAM, AND THE VIRGIN ISLANDS

SEC. 203. (a) Subsection (a) of section 1108 of the Social Security Act is repealed.

(b) Section 2002(a)(2)(D) of such Act is amended by striking out "in addition to amounts available under section 1108 for purposes of matching the expenditures of such jurisdictions for services pursuant to sections 3(a)(4) and (5), 403(a)(3), 1003(a)(3) and (4), 1403(a)(3) and (4), and 1603(a)(4) and (5)" and inserting in lieu thereof "in addition to any other amounts available for purposes of matching the expenditures of such jurisdictions for services pursuant to section 403(a)(3) and for purposes of providing services under plans approved by the Secretary for aged, blind, and disabled individuals in such jurisdictions who are receiving supplemental security income benefits under title XVI or who, within such period or periods as the Secretary may prescribe, have been or are likely to become applicants for or recipients of such benefits".

(c) The amendments made by this section shall take effect on April 1, 1978.

TITLE III—SOCIAL SERVICES PROGRAM

INCREASE IN CEILING ON FEDERAL SOCIAL SERVICES FUNDING, EXTENSION OF SPECIAL PROVISIONS RELATING TO CHILD DAY CARE SERVICES

SEC. 301. (a) (1) Effective with respect to fiscal years beginning after September 30, 1977, section 2002 (a) (2) (A) of the Social Security Act is amended by striking out "$2,500,000,000" and inserting in lieu thereof "$2,700,000,000".

(2) Notwithstanding the amendment made by paragraph (1), the amount of the limitation (imposed by section 2002 (a) (2) of the Social Security Act) which is applicable to any State for the fiscal year ending September 30, 1978, shall not exceed an amount equal to (A) the limitation (so imposed) which would be applicable to such State for such fiscal year without regard to such amendment, plus (B) an amount equal to the sum of (i) the total amount of expenditures (I) which are made during such fiscal year in connection with the provision of any child day care service, and (II) with respect to which payment is authorized to be made to the State under title XX of such Act for such fiscal year, and (ii) the aggregate of the amounts of the grants, made by the State during such fiscal year, to which the provisions of section 3 (c) (1) of Public Law 94–401 are applicable.

(3) Section 3 (b) of Public Law 94–401 is amended by inserting after "the provisions of such subsection" the following: ", or which become payable to any State for the fiscal year ending September 30, 1978, by reason of section 301 (a) of the Public Assistance Amendments of 1977,".

(b) (1) Section 7 (a) (3) of Public Law 93–647 is amended by striking out "October 1, 1977" and inserting in lieu thereof "October 1, 1978".

(2) (A) Section 3 (c) (1) of the Public Law 94–401 is amended by inserting after "fiscal year specified in subsection (a)," the following: "or during the fiscal year ending September 30, 1978,".

(B) Section 3 (c) (2) (A) of Public Law 94–401 is amended—

(i) by inserting "(i)" after "the amount, if any, by which"; and

(ii) by inserting after "such fiscal period or year," the following: "or (ii) the aggregate of the sums (as so described) granted by any State during the fiscal year ending September 30, 1978, exceeds the amount by which such State's limitation for that fiscal year is increased pursuant to section 301 (a) of the Public Assistance Amendments of 1977".

(3) (A) Section 3 (d) (1) of Public Law 94–401 is amended by inserting before the period at the end thereof

the following: ", and during the fiscal year ending September 30, 1978".

(B) Section 3(d)(2) of such Public Law is amended—

(i) by striking out "such fiscal year" in the matter preceding subparagraph (A) and inserting in lieu thereof "either such fiscal year"; and

(ii) by striking out subparagraph (A) and inserting in lieu thereof the following:

"(A) the amount by which the limitation (imposed by section 2002(a)(2) of such Act) which is applicable to such State for such fiscal year is increased pursuant to subsection (a) or pursuant to section 301(a) of the Public Assistance Amendments of 1977, over".

(4) Section 50B(a)(2)(B) of the Internal Revenue Code of 1954 (definition of Federal welfare recipient employment incentive expenses) is amended by striking out "October 1, 1977" and inserting in lieu thereof "October 1, 1978".

(5) Section 5(b) of Public Law 94-401 is amended by striking out "September 30, 1977" and "October 1, 1977" and inserting in lieu thereof "September 30, 1978" and "October 1, 1978", respectively.

(6) Section 4(c) of Public Law 94-120 is amended by striking out "September 30, 1977" and "October 1,

1977" and inserting in lieu thereof "September 30, 1978" and "October 1, 1978", respectively.

(c) Section 2002(a)(9)(B) of the Social Security Act is amended by striking out "July 1, 1977" inserting in lieu thereof "April 1, 1978".

TITLE IV—CHILD-WELFARE SERVICES PROGRAM

AMENDMENTS TO CHILD-WELFARE SERVICES PROVISIONS

SEC. 401. (a)(1) Section 420 of the Social Security Act is amended by striking out "the following sums are hereby authorized to be appropriated" and all that follows and inserting in lieu thereof "there is authorized to be appropriated for each fiscal year a sum sufficient to carry out the purposes of this part (other than sections 428 and 429).".

(2) Section 421 of such Act is amended—

(A) by striking out "The sum appropriated pursuant to section 420 for each fiscal year shall be allotted by the Secretary for use" and inserting in lieu thereof "The sum of $266,000,000 shall be allotted by the Secretary each fiscal year for use"; and

(B) by striking out "the remainder of the sum so appropriated for such year" and inserting in lieu thereof "the remainder of such sum".

(3) The first sentence of section 422 (a) of such Act is amended—

(A) by striking out "From the sums appropriated therefor and the allotment available under this part, the Secretary" in the matter preceding paragraph (1) and inserting in lieu thereof "For each fiscal year the Secretary";

(B) by inserting ", approved by the Secretary for such fiscal year," after "a plan for child-welfare services" in the matter preceding subparagraph (A) in paragraph (1);

(C) by striking out "an amount equal to the Federal share (as determined under section 423) of the total sum expended under such plan (including the cost of administration of the plan) in meeting the costs" in the matter following paragraph (2) and inserting in lieu thereof the following: "an amount equal to the allotment of the State for that fiscal year under section 421 (or, if less, an amount equal to the total sum expended under the plan for the purposes involved) for use under and in accordance with the plan in meeting the costs"; and

(D) by inserting before the period at the end thereof the following: ", and in meeting the cost of administration of the plan".

(4) Section 422(b)(2) of such Act is amended by striking out "From the allotment available therefor, the Secretary" and inserting in lieu thereof "The Secretary".

(5)(A) Section 423(b) of such Act is repealed.

(B) Section 423(c) of such Act is amended—

(i) by striking out "Federal share and"; and

(ii) by striking out the proviso.

(b)(1) Section 422(a)(1)(B) of such Act is amended—

(A) by striking out "and the services provided" and inserting in lieu thereof ", the services provided"; and

(B) by inserting after "part A of this title," the following: "and services provided under title XX and under State programs having a relationship to the program under this part,".

(2) Section 422(a)(1) of such Act is further amended by striking out "and" at the end of subparagraph (B), and by striking out subparagraph (C) and inserting in lieu thereof the following new subparagraphs:

"(C) contains a description of the services to be provided and specifies the geographic areas where such services will be available,

"(D) contains a description of the steps which the State will take to accomplish the purposes

enumerated in section 425 and to make progress in—

"(i) covering additional political subdivisions,

"(ii) reaching additional children in need of services, and

"(iii) expanding and strengthening the range of existing services and developing new types of services,

along with a description of the State's child-welfare services staff development and training plan, and

"(E) provides that the agency administering or supervising the administration of the plan will furnish such reports, containing such information, and participate in such evaluations, as the Secretary may require, and".

(3) Section 422(a)(2) of such Act is amended by striking out "that makes a satisfactory showing" and all that follows down through "provided by the staff" and inserting in lieu thereof "that (with respect to child day care services provided under this title) it is in compliance with the standards and requirements imposed with respect to child day care under title XX, except insofar as eligibility

for such services is involved and except as provided in section 426 (b), and that child-welfare services will be provided by the staff".

(c) Section 425 of such Act is amended to read as follows:

"DEFINITION

"SEC. 425. For the purpose of this title, the term 'child-welfare services' means public social services which are directed toward the accomplishment of the following purposes: (1) protecting and promoting the welfare of all children, including handicapped, homeless, dependent, or neglected children; (2) preventing or remedying, or assisting in the solution of problems which may result in, the neglect, abuse, exploitation, or delinquency of children; (3) preventing the unnecessary separation of children from their families by identifying family problems, assisting families in resolving their problems, and preventing breakup of the family where the prevention of child removal is desirable and possible; (4) restoring to their natural families children who have been removed, by the provision of services to the child and the natural families; (5) placing the child in a suitable adoptive home, if restoration to the natural family is not possible or appropriate; and (6) assuring adequate care of children away from their homes, in cases where the

child cannot be returned to his natural home or cannot be placed for adoption using all known and available techniques to do so.".

(d) Part B of title IV of such Act is amended by redesignating section 426 as section 429, and by inserting after section 425 the following new section:

"REQUIREMENTS AND LIMITATIONS APPLICABLE TO EXPENDITURE OF FEDERAL FUNDS

"SEC. 426. (a) No amount paid to a State under this part may be expended in making payments for foster care of the type described in section 408, except to the extent that the total amount of such payments (in the fiscal year for which such amount is paid to the State) does not exceed the total amount of the State's expenditures for foster care of that type (with respect to which Federal payments were made under this part) in the fiscal year ending September 30, 1977, as established by the Secretary on the basis of reports submitted by the State.

"(b) No amount paid to a State under this part may be used for child day care which is provided solely because of the employment of a parent.

"(c) No amount paid to a State under this part may be used—

"(1) for the purchase, construction, or major modi-

fication of any land, building, or other facility, or fixed equipment; or

"(2) for the provision of any educational service which the State makes generally available to its residents without cost and without regard to their income.

"(d) The total amount of State and local funds expended in any State for child welfare services (including adoption services and subsidies) other than foster care of the type described in section 408, in any fiscal year, shall not be less than the total amount of State and local funds so expended in such State in the fiscal year ending September 30, 1977; and compliance with this requirement by a State in any fiscal year, as determined by the Secretary, shall be a condition of such State's eligibility for Federal payments under this part for such fiscal year.".

(e) Effective October 1, 1978, part B of title IV of such Act is further amended by inserting after section 427 (as added by section 402 (a) of this Act) the following new section:

"ADOPTION INFORMATION SYSTEM

"SEC. 428. The Secretary shall take such steps as may be necessary and appropriate to provide for the establishment and operation of a national and regional adoption information system to assist in the location of children in need of adop-

tion and in the placement in adoptive homes of children awaiting adoption, and for the promotion of cooperative efforts with and among similar programs.".

(f) (1) Subject to paragraph (2), the amendments made by this section (except subsection (e)) shall be effective with respect to fiscal years ending on and after September 30, 1978.

(2) Notwithstanding paragraph (1) or any other provision of law, the Secretary of Health, Education, and Welfare shall have authority, in such cases and to such extent as he may deem appropriate, to waive the application with respect to the fiscal year ending September 30, 1978, of any of the conditions, limitations, and requirements imposed under part B of title IV of the Social Security Act (other than those imposed under sections 426 and 427 of such Act) by the amendments made by this section.

FOSTER CARE PROTECTION

SEC. 402. (a) Part B of title IV of the Social Security Act is amended by adding after section 426 (as added by section 401 (d) of this Act) the following new section:

"REQUIREMENT OF STATE ACTION TO ASSURE FOSTER CARE PROTECTION

"SEC. 427. No payment shall be made to any State with respect to expenditures made after September 30, 1979,

under this part unless that State has in effect such laws, regulations, standards, practices, and procedures, approved by the Secretary for purposes of this section, as are necessary and appropriate to assure that—

"(1) no child (except in a situation described in paragraph (2) (A) or (2) (C)) will be placed in foster care either voluntarily or involuntarily unless the child and his family have been provided adequate preventive services which are designed to avoid unnecessary out-of-home placements (and which may include homemaker services, day care, twenty-four-hour crisis intervention, emergency caretaker services, emergency temporary shelters and group homes for adolescents, and emergency counseling), or such preventive services have been made available but refused by the family;

"(2) no child will be involuntarily removed from a home shared with a parent and placed in foster care, except on a short-term emergency basis either in the case of a situation described in subparagraph (A) of this paragraph or in the case of an alleged delinquent or an alleged status offender, unless there has been a judicial determination, by a court of competent jurisdiction, that—

"(A) the situation in the home presents a sub-

stantial and immediate danger to the child which would not be mitigated by the provision of preventive services,

"(B) the child is dependent, neglected, or in need of supervision or has committed a status offense, and preventive services have been provided to the family pursuant to paragraph (1) but have failed to alleviate the crisis necessitating an out-of-home placement, or have been made available but refused by the family, or

"(C) the child has committed a delinquent offense;

"(3) no child will be placed in foster care by the voluntary action of a parent unless preventive services have been provided to the family but have failed to alleviate the crisis necessitating an out-of-home placement or have been made available but have been refused by the family, and a voluntary placement agreement, containing such provisions as the Secretary shall by regulation require for purposes of this section, has been developed and approved by the placement agency and the parents, signed by both, and a copy given to any foster parent or guardian;

"(4) with respect to each child accepted for placement—

"(A) the child will be placed in the least restrictive setting which most approximates a family and in which his special needs, if any, may be met in accordance with such criteria as the Secretary shall by regulation establish,

"(B) the child will be placed within reasonable proximity to his or her natural home, taking into account any special needs of the child, and

"(C) where appropriate, all reasonable efforts will be taken to place the child with relatives;

"(5) the State will establish and make available to each child in placement, his parents, and other members of his family, family reunification services which are designed to alleviate the conditions necessitating placement and to insure the swiftest possible return of the child to his natural home and which may include transportation services, family and individual therapy, psychiatric counseling, homemaker and housekeeper services, day care, consumer education, respite care, information and referral services, and services to assist in postplacement adjustment;

"(6) the State has provided for the development of a written individualized case plan for each child receiving foster care, and has established procedures for an impartial review of each case plan by an experi-

enced and objective person not directly involved in the provision of services to the family (which may be a court of competent jurisdiction) no less frequently than once every six months, the purpose of such review to be—

"(A) to determine the extent of progress which has been made toward alleviating or mitigating the causes necessitating placement, and project a likely date by which the child may be returned to the natural home, and

"(B) to insure compliance by all parties with the requirements of the case plan and voluntary placement agreement, and modify those documents where necessary;

"(7) the review referred to in paragraph (6) will—

"(A) be conducted no less than two weeks after the parent and the child have been notified in writing of the review, advised of the status of the case and agency recommendations, and provided the opportunity to appear by or with representation of their choice, and

"(B) result in written findings and conclusions and, if necessary, modifications of the case plan, which shall specify the obligations and duties of all parties during the continued period of placement, a

copy of which must be provided to the agency and to the child's natural parent and guardian, foster parents, or other party having responsibility for the maintenance of the child.

"(8) the State has established procedures for a dispositional hearing to be held, in a family or juvenile court or another court of competent jurisdiction, or by an administrative body appointed by a court, no later than eighteen months after the original placement, which hearing—

"(A) shall determine whether the child—

"(i) should be returned to the parent,

"(ii) requires continued placement for a specified period of time not to exceed six months unless extended by the court (or administrative body) because of special needs or special circumstances which prevent immediate reunification,

"(iii) should be freed for legal adoption through termination of parental rights proceedings and placed in an adoptive home, or

"(iv) requires a permanent long-term foster care placement because the child cannot be returned home or placed in an adoptive home due to special needs; and

"(B) shall be preceded by notification to all interested parties, including the agency having responsibility for the child, the child in care, the child's parents, and the child's foster parents, which notification—

"(i) shall be given to each such party no less than two weeks prior to such dispositional hearing,

"(ii) shall fully inform all parties of the nature of the dispositional hearing, of its possible consequences, and of their right to participate therein with or by representation of their choice, and

"(iii) shall fully inform the parents and the child of their right, if they cannot otherwise afford or obtain representation, to receive court-appointed representation;

"(9) a child will remain in foster care after the dispositional hearing only if—

"(A) (i) the court (or administrative body) determines that continuation in temporary foster care for a specified time period is necessary because there is a strong likelihood that restoration with the parent will be achievable during that time, or

"(ii) the agency documents to the court (or

administrative body) no less frequently than once every six months that it is diligently undertaking procedures to free the child or to place the child for adoption, or

"(iii) the court (or administrative body) determines that the child's special needs necessitate a permanent long-term foster care placement and the agency documents that such a placement has been made or that it is diligently undertaking to secure such a placement; and

"(B) there continues to be a review by the court (or administrative body) on a periodic basis to insure that the disposition rendered pursuant to paragraph (3) is being carried out: *Provided,* That once the court (or administrative body) determines that a child has been placed in a permanent long-term foster care placement pursuant to paragraph (8) (A) (iv) and clause (iii) of subparagraph (A) of this paragraph, the review may be conducted by the agency charged with responsibility for the child, but not by an individual directly involved in the provision of services to the child or the child's family;

"(10) the State has established a fair hearing procedure under which—

"(A) any parent, foster parent, guardian, or child who believes that he has been aggrieved by any governmental action under this section will be afforded a prompt fair hearing before an impartial hearing officer who has not previously been involved in the care and supervision of the child;

"(B) if such a hearing is requested by any party, the parent, foster parent, guardian, and child will each be afforded notice of the hearing and the opportunity to participate as a party;

"(C) all parties to the hearing shall be accorded (i) the right to be accompanied by a representative of their choice including counsel, (ii) the right to present evidence and confront, cross-examine, and compel the attendance of witnesses, (iii) the right to a written or electronic verbatim record of such hearing, and (iv) the right to obtain written findings of fact and conclusions and a written decision based on those findings;

"(D) the hearing decision will be final and binding on all parties except that any party dissatisfied with the decision may reopen a pending State court proceeding or may institute a civil action which may be brought in any State court of competent jurisdiction or in a United States district

court; and in any such action the court shall conduct a trial de novo, except that the record of the administrative hearing may be introduced into evidence, and shall grant appropriate relief;

"(E) the district courts of the United States shall have jurisdiction of actions brought under this paragraph without regard to the amount in controversy, and shall hear such actions notwithstanding the pendency of any State court proceeding; and

"(F) in any State court proceeding in the nature of dependency, neglect, termination, or guardianship, no claim or defense of a parent shall be affected in any way by the failure of a party to request a fair hearing, by the pendency of a fair hearing, or by any determination at a fair hearing; and

"(11) the State will comply with any regulations promulgated from time to time by the Secretary pursuant to his duties under this part.".

(b) The amendment made by subsection (a) shall apply with respect to expenditures made after September 30, 1979; but any State, as a part of its participation in the programs under title IV of the Social Security Act, may establish and place in effect the laws, regulations, standards, practices, and procedures described in section 427 of such Act

(as added by such amendment) at any time prior to that date.

TITLE V—AID TO FAMILIES WITH DEPENDENT CHILDREN

FEDERAL PAYMENTS FOR DEPENDENT CHILDREN VOLUNTARILY PLACED IN FOSTER CARE

SEC. 501. (a) Section 408 (a) of the Social Security Act is amended—

(1) by striking out "as a result" in clause (1) and inserting in lieu thereof "at the specific written request of such child's natural parent or legal guardian or as a result";

(2) by striking out "such determination" in clause (3) and inserting in lieu thereof "such request or determination";

(3) by striking out "the month in which" in clause (4) (A) and inserting in lieu thereof "the month in which such request was made or in which"; and

(4) by striking out "in which such proceedings were initiated" in clause (4) (B) (ii) and inserting in lieu thereof "in which such request was made or such proceedings were initiated".

(b) The amendments made by subsection (a) shall be effective with respect to fiscal years ending on

or after September 30, 1978, but shall apply only with respect to payments of aid to families with dependent children, under the plan of any State approved under part A of title IV of the Social Security Act, in the case of children whose removal from the home of a relative (within the meaning of section 408 (a) of such Act) occurs pursuant to requests made (or renewed in such manner and form as the Secretary of Health, Education, and Welfare may prescribe) on or after the first day of the earliest month (after the month in which this Act is enacted and after September 1977, but no later than October 1, 1979) in which such State has established and placed in effect the laws, regulations, standards, practices, and procedures described in section 427 of the Social Security Act (added by section 402 (a) of this Act), as demonstrated by the State to the satisfaction of the Secretary of Health, Education, and Welfare on the basis of such evidence as he may require.

FEDERAL PAYMENTS FOR FOSTER HOME CARE OF DEPENDENT CHILDREN IN CERTAIN PUBLIC INSTITUTIONS

SEC. 502. (a) The last paragraph of section 408 of the Social Security Act is amended by inserting after "a nonprofit private child-care institution" the following: ", or a publicly operated child-care institution which serves no more than 25 resident children,".

(b) The amendment made by subsection (a) shall be effective with respect to quarters beginning on and after October 1, 1977.

ADOPTION SUBSIDY PAYMENTS UNDER AID TO FAMILIES WITH DEPENDENT CHILDREN FOSTER CARE PROGRAM

SEC. 503. (a) Part A of title IV of the Social Security Act is amended by adding at the end thereof the following new section:

"ADOPTION SUBSIDY PAYMENTS

"SEC. 411. (a) Notwithstanding any other provision of this part, each State having a plan approved under this part shall make subsidy payments, in amounts determined under subsection (d), to parents who adopt a child qualifying on the basis of special need (as determined under subsection (b)) on or after the date of the enactment of this section. Parents who adopt a child qualifying on the basis of special need shall be eligible for subsidy payments under this section (beginning with the month in which the adoption becomes final) for the period determined under subsection (e). An appropriate written agreement between the adopting parents and the State or local agency supervising the adoption must have been entered into before the final decree of adoption was issued; and procedures and requirements for the periodic payment of the subsidy under this section in any State shall be established by the State agency administering

or supervising the administration of the plan of such State approved under this part. Each State plan approved under this part shall be deemed to incorporate the provisions and requirements of this section.

"(b) For purposes of this section, a child qualifies on the basis of special need if—

"(1) such child has been receiving aid to families with dependent children as a 'dependent child' in foster care under section 408 for a period of at least six months;

"(2) such child is determined (by the State or local agency administering the plan in the political subdivision) to be 'hard to place' because his ethnic background, race, color, language, age, physical, mental, emotional, or medical handicap, or membership in a sibling group has made him difficult to place in an appropriate adoptive home; and

"(3) after diligent efforts have been made, no appropriate adoptive family willing and able to adopt such child without the assistance of payments under this section or other aid under the plan has been located.

"(c) For purposes of this part (but for no other purposes), the term 'aid to families with dependent children' shall, notwithstanding section 406(b), include adoption sub-

sidy payments made under and in accordance with this section.

"(d) The subsidy payments made with respect to any adopted child under this section shall not exceed in amount the payments of aid to families with dependent children which would have been made with respect to such child under the applicable State plan approved under this part if such child had remained in foster care (in a foster family home of an individual) subject to section 408; except that such subsidy payments may include additional amounts to cover specific costs related to medical, psychiatric, emotional, or severe dental conditions existing prior to the adoption.

"(e) (1) Subsidy payments with respect to any adopted child under this section may be made for a period of time not to exceed the period during which such child was receiving aid to families with dependent children as a dependent child in foster care under section 408 prior to the adoption, or for a period of one year, whichever is longer.

"(2) At the close of the period for which subsidy payments are made with respect to any adopted child under paragraph (1), and annually thereafter in any case where further payments are made as permitted under this paragraph, the State or local agency administering the plan in the political subdivision shall review the condition of the

child; and if it is determined as a result of any such review that the child continues to suffer from a medical, psychiatric, emotional, or severe dental condition referred to in subsection (d), such payments may continue, in amounts not exceeding the amounts necessary to cover specific costs related to such condition, until such child ceases to be a minor within the meaning of applicable State law or a subsequent annual review indicates that all such conditions have ceased to exist.".

(b) The amendment made by subsection (a) shall become effective in any State on the first day of such month during the period beginning October 1, 1977, and ending September 30, 1978, as the State may designate, but shall in any event be effective in all States no later than September 1, 1978.

CHILD SUPPORT ENFORCEMENT PROGRAM

SEC. 504. (a) Section 455(a) of the Social Security Act is amended by striking out "to individuals under section 454(6) during any period beginning after June 30, 1977" in the matter following paragraph (2) and inserting in lieu thereof the following: "to an individual under section 454(6) in a family the total income of which exceeds 200 per centum of the standard used by the State in determining need for aid to families with dependent children under the State plan approved under part A, during any

period beginning after September 30, 1977, or to any individual under section 454(6) after September 30, 1979".

(b) Section 454(6) of such Act is amended by striking out clauses (B) and (C) and inserting in lieu thereof the following: "(B) an application fee for furnishing such services shall be imposed in an amount not exceeding $20, unless the imposition and collection of such fee would have the effect of making such individual eligible for assistance under the State plan approved under part A, and (C) any costs in excess of the fee so imposed shall be collected from such individual by deducting such costs from the amount of any recovery made, except that (i) in the case of an individual in a family the total income of which does not exceed 200 per centum of the standard used by the State in determining need for aid to families with dependent children under the State plan approved under part A, the amount so deducted shall be equal to the lesser of 10 per centum of the child support collected or the average cost to the State per applicant of providing such services under this paragraph (or such lower amount as the State may determine to be appropriate on the basis of annual reviews of the costs which it incurs in providing services to individuals under this paragraph), and (ii) no deduction shall be made under this clause if the collection of the amount deducted would have

the effect of making the individual eligible for assistance under the State plan approved under part A".

(c) The amendments made by this section shall apply with respect to services provided on and after October 1, 1977.

FEDERAL FINANCIAL PARTICIPATION IN CERTAIN RESTRICTED PAYMENTS UNDER AFDC PROGRAM

SEC. 505. (a) (1) Section 403 (a) of the Social Security Act is amended by striking out "10" in each of the last two sentences and inserting in lieu thereof "20".

(2) Section 406 (b) of such Act is amended—

(A) by striking out the semicolon at the end of clause (2) (E) and inserting in lieu thereof a period; and

(B) by adding at the end thereof (after and below clause (2) (E)) the following new sentences:

"Payments with respect to a dependent child which are intended to enable the recipient to pay for specific goods, services, or items recognized by the State agency as a part of the child's need under the State plan may (in the discretion of the State or local agency administering the plan in the political subdivision) be made, pursuant to a determination referred to in clause (2) (A), in the form of checks drawn jointly to the order of the recipient and the person furnishing such goods, services, or items and negotiable only upon en-

dorsement by both such recipient and such person; and payments so made shall be considered for all of the purposes of this part to be payments described in clause (2). Whenever payments with respect to a dependent child are made in the manner described in clause (2) (including payments described in the preceding sentence), a statement of the specific reasons for making such payments in that manner (on which the determination under clause (2) (A) was based) shall be placed in the file maintained with respect to such child by the State or local agency administering the State plan in the political subdivision.".

(3) (A) Section 406 (b) of such Act is further amended by adding at the end thereof (after the new sentences added by paragraph (2) (B) of this subsection) the following new paragraph:

"In addition, payments with respect to a dependent child to cover the cost of utility services or living accommodations or any part thereof may be made (in the discretion of the State or local agency administering the plan in the political subdivision but without regard to any determination under clause (2) (A)) in the form of checks drawn jointly to the order of the recipient and the person furnishing such services or accommodations and negotiable only upon endorsement by both such recipient and such person, if such child or the relative with whom he is living specifically so requests in

writing; but not more than 50 per centum of the amount of the aid which is payable with respect to such child for any month may be paid in that form, and any such request shall be effective until revoked by the child or relative.".

(B) The last sentence of section 403 (a) of such Act is amended by inserting before the period at the end thereof the following: ", or any individual with respect to whom payments of the type involved are made (without regard to clause (2) of section 406 (b) or the second sentence of such section) upon request as provided in the last paragraph of such section".

(4) The amendments made by this subsection shall apply with respect to payments of aid to families with dependent children made for months beginning on or after October 1, 1977; except that the amendments made by paragraph (3) shall be effective only with respect to payments of aid to families with dependent children made for months during the twenty-four-month period beginning October 1, 1977.

(b) Notwithstanding any other provision of law, Federal financial participation in aid to families with dependent children under a State plan approved under section 402 of the Social Security Act, for quarters (with respect to which expenditure reports were timely filed by the State) during the period beginning with the calendar quarter in which Public Law 90-248 was enacted and ending with

the first calendar quarter of 1977, shall not be denied, on or after October 1, 1977, by reason of the provision of goods, services, or items in the form of a check which is drawn jointly to the order of the recipient and the person furnishing such goods, services, or items and which shows the purpose for which the check is drawn, or by reason of the failure of the State to meet the requirement of the last two sentences of section 403 (a) of such Act or the failure of the State (or any political subdivision thereof) to carry out the functions and duties prescribed in clauses (A), (B), (C), and (E) of section 406 (b) (2) of such Act, regardless of the form in which the aid involved was paid, if (and to the extent that) the amount of such aid was correct and the payment of the aid in that form did not result in assistance in cases or in amounts not authorized by or under part A of title IV of such Act.

Passed the House of Representatives June 14, 1977.

Attest: EDMUND L. HENSHAW, JR.,

Clerk.

Senator MOYNIHAN. We, of course, welcome Secretary Califano and his associates. I do not think we have introduced them.

Secretary CALIFANO. Mr. Chairman, on my left is Ms. Arabella Martinez, Assistant Secretary for Human Development, division of HEW which is charged with operating both the title XX program and the human service programs. On my right is Bruce Cardwell, Commissioner of the Social Security Administration who now under the reorganization is in charge of all the cash payment programs.

Senator MOYNIHAN. We welcome Ms. Martinez and Mr. Cardwell.

This being a somewhat special occasion, I am going to take the liberty, which I would not take at other times, to make a brief statement before the Secretary does.

This is the first occasion on which this subcommittee has had before it a bill, properly so-called, in the form of H.R. 7200. It seems appropriate then to make a brief introductory statement.

I would like to state that in my view, the establishment of our subcommittee creates an opportunity for the Committee on Finance to contribute to the formulation at long last of a national family policy. This is a matter that has occupied Senator Long for many years. President Carter and Vice President Mondale have shown an equally sustained interest. And yet, as an area of recognized and reasonably coherent social policy, it continues to elude us.

I wrote in 1965:

> American social policy until now has been directed towards the individual . . . and only in the rarest circumstances do our arrangements define the family as the relevant unit.
>
> This is a pattern that is almost uniquely American. Most of the industrial democracies of the world have adopted a wide range of social programs designed specifically to support the stability and viability of the family. . . .

I had hoped 12 years ago that we were on the verge of a new era of social policy, one shaped around the family unit as the previous one had been fashioned around the individual. President Johnson, whom you served, Mr. Califano, so faithfully, had raised such a large possibility in his celebrated speech at Howard University.

He said:

> The family is the cornerstone of our society. More than any other force, it shapes the attitude, the hopes, the ambitions, and the values of the child. And when the family collapses it is the children that are usually damaged. When it happens on a massive scale the community itself is crippled.

As the stormy decade of the 1960's drew to a close, we found we had done many things, some of happier memory than others, but we had not developed a family policy for the United States. In the event, we had not done so in a comprehensible, purposeful and orderly fashion, although the combined effect of our various actions on the structure and stability of the family may have been no less profound. For we also began, in the late sixties, to recall the central theme of Alva Myrdal's fine study published in 1941, "Nation and Family." The burden of her work was so prescient and so important that the MIT press reissued it in 1968. In a foreword to that edition, I wrote:

> In the nature of modern industrial society no government, however firm might be its wish, can avoid having policies that profoundly influence family relationships. This is not to be avoided. The only option is whether these will be purposeful, intended policies or whether they will be residual, derivative, in a sense concealed ones.

We cannot avoid policies that affect the family. And yet that does not mean we have a family policy, or even a clear understanding of the lineaments of such a policy.

Indeed, while much has been said about the family in recent years and weeks, and about the importance of insuring that Government actions strengthen it, in fact it is a subject dominated by conventional pieties rather than information, insight or analysis.

We know surprisingly little about family dynamics and the effects of Government actions on those dynamics and what we do know is ordinarily confined to the level of individual programs rather than policy.

Yet, there are things that we do know, and it happens that a number of them are directly related to the subject before the committee this morning.

In a spirit which I hope will be shared by the witnesses to follow, I should like to introduce some data that bear not only on the matters before us today but also on the larger questions of family policy.

In her excellent historical study entitled "Here To Stay: American Families in the Twentieth Century," Dr. Mary Jo Bane examined the life prospects of children born in the United States between 1901 and 1910. How many of them, she asked, would find themselves living in a single parent situation before reaching the age of 18?

The answer was 29 percent; that is to say, 29 out of every 100 children in this country during the first decade of the 20th century would spend some portion of their first 18 years in a household with just one parent. This is a very considerable figure and it is important to understand its sources.

Among the children so deprived, the cause in nearly 80 percent of the cases was the death of the second parent. Divorce or long-term separation was the source in another 20 percent of the cases. Premarital births accounted for just 1 percent.

One is reminded of the pervasive theme of Carl Sandburg's writings on the "Age of Lincoln," that "The Wilderness Is Careless." So, too, was the industrial frontier at the turn of the century, which exacted so high a toll among relatively youthful parents as a consequence of illness, accident, and inadequate public health.

Seven decades later, much of the horror of that period has vanished. Infectious diseases are largely vanquished in the United States. Workplace mishaps are less common and less often fatal. As life expectancies have lengthened, the once familiar phenomenon of a child losing one of his parents to death has become a rare occasion.

It is nevertheless instructive to compare the life prospects of a child born in the United States in 1977 with those of seven decades earlier. At my request, Dr. Arthur J. Norton of the Census Bureau's Population Division undertook such an analysis. Of course, his estimates are projections, not historical findings, and are subject to the familiar limitations of such forecasting. Still, they are most illuminating.

Among 100 children born this year, 45 can expect to live in a single parent household before reaching the age of 18. This is nearly twice the percentage of seven decades ago.

Among these youngsters who will reside with just 1 parent between 1977 and 1995, 7 in 100 will do so because of the death of the second parent; 22 will do so because of premarital birth; and the balance, 71 of each 100, will attain that condition as a consequence of divorce or long-term separation of their parents.

These figures suggest a claim on our and the Nation's concern in the months and years ahead, and must necessarily form part of the basis for our consideration of measures such as those before us this week. We commence these hearings by welcoming you, Mr. Secretary, and looking forward to your testimony.

STATEMENT OF HON. JOSEPH A. CALIFANO, JR., SECRETARY, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE; ACCOMPANIED BY ARABELLA MARTINEZ, ASSISTANT SECRETARY FOR HUMAN DEVELOPMENT; AND BRUCE CARDWELL, COMMISSIONER, SOCIAL SECURITY ADMINISTRATION

Secretary CALIFNAO. Mr. Chairman, thank you very much. That was a fascinating and important opening statement. I would like this morning, if I may, to read some of my testimony, but skip portions of it, and submit the entire statement for the record.

Senator MOYNIHAN. Without objection.

Secretary CALIFANO. Appended to the statement is a list of many of the technical and complex provisions of H.R. 7200 to give you, Mr. Chairman, and the subcommittee, our views on those provisions. We would also like to submit it for the record.

This is a special opportunity, because I believe, as you indicated in your opening statement, it is one of the first, if not the first, concrete demonstrations by the Carter administration of its fulfillment of the President's pledge to do something to support the American family and to eliminate some of the provisions in current law that are so antifamily. I would like to focus on a series of related problems in my statement—foster care, adoption, and child welfare services—that are at the core of our Nation's commitment to social justice and the American family.

I would also like to note that this is a situation in which the Congress has taken a very significant lead. This subcommittee, Mr. Chairman, you, Senator Cranston, who has worked and looked at the issue of the relationship between Federal programs and adoption for many years, Mr. Stern, Mr. Steinberg, staff members of this committee, of Senator Cranston, we have spent a great deal of time with you to formulate our proposal. We deeply appreciate that. This is an opportunity which the Congress and the executive branch can work very closely together in pursuit of a joint and mutually shared, and enthusiastically shared, objective.

One inexorable conclusion to which our 6-month study of the welfare system has led is this: the system is viciously antifamily. The most publicized antifamily provision in welfare is the so-called man-in-the-house rule—the rule that sets benefit eligibility so that the best way a man with wife and children living in poverty can enhance his family's well-being is to leave them.

But at least as cruel is the way the child welfare benefits are skewed. They provide every incentive to keep parentless children in institutions. They provide virtually no incentive to improve those institutions. They provide every disincentive to placing the child in a secure situation with an adoptive family. Indeed, whenever foster parents love a child living in their home enough to want to adopt that child, this Nation has devised a system that says: "At the moment of adoption—the moment when that family wishes to express its love most deeply and significantly—we will cut off payments.

As you know, during the fall election campaign, President Carter promised the American people that, if elected, his administration would give special emphasis to policies and programs that strengthen and support the family. The President recognized that families are America's most precious resource and most important institution; he recognized that they have the most fundamental, powerful, and lasting influence on our lives. The President is concerned that his administration should not only propose programs to aid the family but also reexamine and reform existing policies that harm rather than help maintain stable, supportive family units.

The proposal the administration presents today is another demonstration that the President will keep his campaign pledge. This basic fact has been recognized by many farsighted leaders in both Houses of Congress. And the proposal which I have the privilege of presenting to you today is heavily indebted to the thoughtful, constructive legislation developed by the House Ways and Means Committee and the Senate Human Resources Committee.

The Congress knows well that far too many of this Nation's children are adrift in inappropriate foster care homes and foster care institutions across the land; adoption services do not work adequately to find a supportive family environment for far too many of this Nation's vulnerable, deserving children; and our child welfare services do not work effectively because they fail to keep many troubled families in this Nation united.

The administration initiative, building on superb work already done in the Congress, will begin the vital task of protecting thousands of American children who are, unfortunately, at severe risk under present foster care, adoption, and child welfare programs.

If we are to fashion a humane and meaningful family policy for America, then we must begin with the foster care system. It is a system that places 350,000 children—but to often places them in improper conditions. Most children are placed in foster care due to parental inability to provide necessary care, to parental neglect or abuse, to parents' abandonment or desertion, or to parents' illness or disability. Tens of thousands of these children are placed in inappropriate, often unfeeling, institutions, ranging from group homes to large and impersonal "warehouses."

Although foster care placements are intended to be temporary, children often remain for long periods. Fifty percent stay in foster care two or more years; 26 percent have been in foster care more than 5 years; 12 percent remain more than 10 years. Moreover, children are forced to change foster homes on an average of two or three times. Many children spend their early years—the years in

which the personality is often formed—in foster care. About half of the children in the system are under 12 years old. These findings are disturbing and have important policy implications.

States allocate relatively few dollars to services to stabilize families and prevent the family breakups which push children into foster care. Although many children in foster care could have remained in their own homes if relatively simple services—such as homemaker and day care—had been available, few of these services are offered.

Children are often placed in foster care with the intention that their stay be temporary, but without planning for future placements or without adequate followup to implement proper plans.

Too frequently, few efforts are made to reunify children with the natural family or to seek adoption. Social worker caseloads are often intolerably heavy, making individualized attention to foster care children very difficult.

State systems often lack the information bases and monitoring capacity to review systematically the individual needs of all the children in State foster care. States often do not afford due process to the children or families enmeshed in the system.

One way out of this morass would be to place these children for permanent adoption. Indeed, more than 40 States have tried to encourage adoption by enacting subsidy laws. Yet these programs do not reach most of the hard-to-place children in foster care: An estimated 90,000 to 120,000 foster care children with special needs—minority children, physically handicapped children, mentally disturbed children—are, or should be, legally free for adoption, but remain in foster care nevertheless.

The individualized services needed to place such children for adoption are simply too costly for States to provide on an adequate scale

I wish that I could report that the Federal Government has responded adequately to these appalling conditions. Instead, however, we have, in a real sense, been a major part of the problem. Although foster care has traditionally been a State responsibility, there are two Federal programs which deal directly with children in, and at risk of, foster care. Title XX and medicaid do, of course, channel additional funds to children in foster care. One of them—the AFDC foster care program—is a classic example of a perverse incentive system creating an antifamily policy.

AFDC–foster care spends approximately $171 million a year to contribute to the room and board of AFDC children in foster care settings. Not one penny of this money may go for services designed to avoid unnecessary removal of children from their homes or to reunify families. AFDC-foster care payments cease as soon as a child is adopted. Since foster parents, who now account for 90 percent of State-subsidized adoptions, are faced with the prospect forfeiting both AFDC and, in many States, medicaid payments if they adopt their foster child, the obvious effect is to discourage many adoptions. This is "theater-of-the-absurd" Government policy.

Loving foster parents cannot adopt their foster child—and thereby provide that child with the kind of stable home environment so important to a child's growth and development—without the Government imposing severe financial penalties. The other special Federal

program in this area—title IV-B child welfare services—simply reinforces these patterns. Little of the Federal money is used to improve the agency which administer foster care payments.

This administration is deeply committed to transforming Federal child welfare policy from being a part of a severe problem that plagues children and family life to being part of a solution that promotes child development in a stable family setting. Our proposal is designed to attain four fundamental goals of sound child welfare policy: comprehensive care, flexibility for the States, proper use of fiscal incentives to encourage State reform, and fiscal responsibility.

Consistent with these objectives, President Carter's family-oriented child welfare initiative has two major components: (1) reform of the existing foster care payment authority and its expansion to include adoption payments, and (2) use of new Federal money, on a phased basis, to encourage states to improve and expand their systems of services to children.

We propose to establish a new program authority, separate from AFDC, under which both foster care maintenance payments would be authorized. Foster care maintenance payments would continue to be available to AFDC-eligible children. However, four new features would modify the current foster care program. A phased-in lower Federal matching rate for foster care in large institutions would discourage such placements, which are often inappropriate for the child and cost more than smaller, more appropriate foster care settings. Small public institutions could qualify for foster care maintenance payments, making possible more group home and residential treatment center placements.

While court review prior to involuntary placement would continue to be required, emergency and voluntary placements would be permitted—provided that a court or quasi-judicial review is conducted or the child is restored to his or her family within 3 months of placement.

Due process protections for the children, natural parents, and foster parents would be required. These due process protections would be assured by requirements in the child welfare services section of our proposal.

In a humane and responsive child welfare system, foster care would usually be no more than a brief way-station for the child on the way to permanent adoption or return to his or her original family. But, as noted, Federal policy now impedes that result.

Our proposal would put Federal policy on a sounder basis by encouraging adoption of those AFDC children who are deemed "hard-to-place." The adopting family would have to meet a simple income test to qualify for an adoption maintenance payment. These payments would continue until the child reaches adulthood or the adopting family exceeds the income test, whichever occurs first.

The amount of the adoption maintenance subsidy would be limited by regulation, perhaps to the foster family home maintenance payment rate, and the same Federal matching rate would apply. In order to encourage adoptions, medicaid eligibility for pre-existing conditions would follow the child into adoption.

We propose that this new entitlement authority for foster care maintenance and adoption payments remain open-ended only until

fiscal 1980 when a cap at 10 percent above the fiscal 1979 expenditure level would be imposed. For each of the next 5 fiscal years, the cap would increase by increments of about 10 percent and would then level off. A State could apply any unused portion of its maintenance entitlement to add to its Federal funds for the provision of child welfare services expenditures under title IV–B.

Child welfare services. The proper functioning of the child welfare system depends heavily upon social services for children and their families, such as preventive, reunification, adoption and drug- and alcohol-related services.

We intend to change that by directing significant new Federal money—$63 million in fiscal 1978 rising to $209.5 million in the mid-1980's—into the development of State systems for tracking, case review, due process safeguards, and preventive and restorative services for children at risk of foster care.

Under our proposal, title IV–B would be converted to a capped entitlement program providing a maximum of $209.5 million a year in new money—above the present $56.5 million base—to be made available on a 75 percent matching basis to the States in two phased, "flexible grants."

Beginning in fiscal 1978, 30 percent of the new money—or about $63 million—would be earmarked and available for designing and implementing State tracking and information systems, individual case review systems, the provision of services designed to promote adoption, and due process procedures for natural parents, children and foster parents.

The due process procedures include administrative or judicial review of the status of all children in foster care within 6 months to determine compliance with individual case plans and review within 18 months of the appropriateness of a permanent placement for the child.

System requirements would be defined in terms of general objectives—e.g., "a tracking system from which the status of every child in out-of-home care may be readily identified," rather than in terms of detailed system specifications. We think that too often the Government is dotting every "i" and crossing every "t" as far as the State is concerned.

The remaining 70 percent of the $209.5 million in new money—about $147 million—would be made available only after the requirements of the first "flexible grant" are met. In this second phase, the new money could be used for child welfare services under existing title IV–B, the only restriction being that at least 40 percent of the State's share of the $209.5 million in new money must be used for certain defined services to prevent unnecessary removal of children from their families.

Finally, in order to receive the new money, the States must maintain their current levels of title IV–B expenditures for child welfare services. The only title IV–B money that could be used for maintenance payments would be the $56.5 million base—the fiscal 1977 appropriation under title IV–B.

Mr. Chairman, let me emphasize in closing the importance of our child welfare proposals. This is the keystone to the administration's policy on families and the keystone to developing what you charac-

terized in the beginning of the hearing as a national family policy, for we seek to address some of the fundamental causes that have contributed to one of the most haunting and intractable social policies.

As the President stated during the campaign, the American family is the first school of every child, the first Government, and the first chuch or synagogue. With this proposal, we believe we can help foster, adopting and natural families perform these invaluable tasks for thousands of this Nation's most vulnerable and disadvantaged children.

Thank you, Mr. Chairman.

Senator MOYNIHAN. Thank you, Mr. Secretary, for an impressive and comprehensive statement. I know the members of the committee will want to question you. It is a practice of this committee, established by our chairman, that seniority with respect to questioning depends on who gets to the committee first.

In this case, it was Senator Packwood. Before he takes over, I would just like to make one brief comment, and speak to a matter that I will raise later and say Mr. Secretary, I am sure that you have had a chance to look at that brilliant small study by Martha Derthick of the Brookings Institution called "Uncontrollable Spending for Social Service". It is one of the finest studies of its kind ever done.

It describes a situation very much like this one. In 1962, when you were in the Defense Department, and thus in no way responsible, a Secretary of HEW came before this committee and said, cash maintenance gets us nowhere; services are going to be our salvation. He said many things. I do not know the full testimony, but he could very well have said that not one penny of this money may go for services, as you said of AFDC and foster care.

Those expenditures, from being nothing, rose to be $2.5 billion before the Senate put a cap on. $2.5 billion, and the results are not very widely to be seen.

In any event, Dr. Derthick's book describes a time when the Community Services Administration of DHEW was anticipating that some questions about this $[illegible] billion program might be raised about it in the budget hearir

The CSA prepared for their administrator a series of questions that OMB no doubt would ask and that he had better be prepared to answer. I will ask the first one, which is very simply—this was October, 1970—what do you know about services now that you did not know last year?

It seems to me the question of empirical data is very important. I am not asking you now. I just want to put to you a proposition that we have seen this cycle of services as against cash maintenance come and go and we are now in the fifteenth year. Maybe it is a 15-year-old cycle.

Senator Packwood.

Senator PACKWOOD. I would ask, Mr. Chairman, the question differently: what do you know about services this year that you will discover to be wrong next year?

I only have one question, then I will come back later and try to fathom out just the money. As I look at it, the authorization now

for child welfare family services in the congressional budget is $266 million. Do I read it right? Are you cutting that to $119 million next year, 1978?

Secretary CALIFANO. I have to deal with two pools of money, if I may. It may help to respond to the first question, Senator Moynihan's question. The current estimate in fiscal year 1978 for AFDC payments for children, the 117,000 children we estimate will be in foster care, is $171 million. What we propose doing with that money is to simply say that no longer will that money be cut off if the foster parent or any parent decides to adopt the child. Those payments will continue in an adoptive situation provided the family meets some minimum needs standard, as they would in the foster care situation, or that money will be given to a family willing to adopt, as it would be given if the child were left in a foster care institution.

We would let that money seek its own level in fiscal year 1979, continuing it as an entitlement program. At that point, we would begin to permit its increase for a 5-year period through fiscal 1984 at 10 percent per year. Then we would cap it, permanently. That is one set of money; that is the cash side, which essentially has nothing to do with services.

The second set of money is the child welfare services appropriation; presently at $56.5 million. We would propose adding to that in fiscal year 1978 an additional $63 million. We would let that program rise until the mid-1980's when the program would recall its $209.5 million cap. Those funds would be available to the States initially to establish systems by which they track children, by which they would identify the individual needs to develop the talents, or deal with the emotional or physical problems of the children; once those programs were in place, to continue to maintain those programs.

Since we believe that it will be over the long haul less expensive to place children in a family situation, any excess of the cash payments funds that are not needed—the first batch of money, the $171 million increased until it is capped, would be usable for the child welfare services under title IV–B. So it is a mixture of both.

Senator PACKWOOD. I am glad that we have got that cleared up. The present $2.5 billion, the chairman is right. That would have gone to $6 billion in 2 more years if we had not put a cap on it?

Senator MOYNIHAN. Mississippi came in for a 44,000-percent increase.

Senator PACKWOOD. The present program that we have is $2.5 billion. Is that general revenue sharing, social service program?

Secretary CALIFANO. Yes; it is. It is a 75–25 basically general program within categories of social services.

Senator PACKWOOD. The categories are so broad the States can do what they want as long as it fits in a social service definition.

Secretary CALIFANO. That is true.

Senator PACKWOOD. Is there anything wrong in continuing that philosophy, giving them more money, as long as they fit within the definition of social service, let them spend it as they want?

Secretary CALIFANO. I think our feeling is in a broad sense we should take some of this money, and direct it. Take the IV–B money

which is directed specifically to child welfare services, and direct it to provide some incentive to improve State adoptive systems, some incentives to make it more desirable.

Senator PACKWOOD. Why should we do that?

Secretary CALIFANO. We think that the present situation in which we penalize some families for adopting the child makes no sense.

Senator PACKWOOD. Would the States be free to spend this money that way if they wanted to now? They would not be prohibited, would they?

Secretary CALIFANO. The AFDC money cannot be spent for a family that adopts a child.

Senator PACKWOOD. The rest of their social service money, could they not achieve this program?

Secretary CALIFANO. That is true, but there is no incentive for them. What we do, in effect, is to take the first 30 percent of our proposed add-on and say, look, for years you have not done some things that we think are important, tracking the children, and assessing each child individually.

Senator PACKWOOD. Who thinks?

Secretary CALIFANO. The experts in this field, people who have done studies. We do not propose dotting every "i" and crossing every "t". Some of the provisions of H.R. 7200 as it came out of the House are far beyond the detail that we would propose going into. I think there should be some broad Federal standards. You should have a tracking system so you could identify individual children.

We should have an assessment system so we evaluate an individual child and know what needs are. We should have a means of getting that child to the services that it needs; those kinds of things we believe should be done.

I think, Senator, that most professionals who are working in the States in this area, many of whom we consulted about this program and many of whom others have consulted on the House side, and Senator Cranston and his staff people will agree, that kind of incentive will have a substantial impact.

Senator PACKWOOD. I am sure that the incentive will. There is hardly a city, county or a State in this country that will not respond to incentives, if that is the direction they want to go or not.

If what you are saying is true, if the experts who work in States feel this way, why don't they take this State money now and use it that way, as long as they have the latitude to do it, or take the $2.5 billion, because we have agreed that they can shift it about and use it that way?

Why not leave it to them to use it that way, if you say that that is the conclusion that they come to anyway.

Secretary CALIFANO. Very little of the $2.5 billion is used on this system. I think, when you think of the demands that are placed on the State system, on a Governor, on a State government for using State money, the children, the potentially adoptable children in foster care do not have a very strong lobby to make a claim on those funds. Funds are simply diverted into other areas. We have, in effect, to many situations in States in which we have Little Orphan Annies who have to depend on sheer accident of the Daddy Warbucks com-

ing along to make them a part of the family. They do not have any lobby. We think it is this kind of a situation in which an incentive is an appropriate thing for the Federal Government to provide.

Senator PACKWOOD. I have no further questions. Thank you.

Senator MOYNIHAN. Thank you, Senator.

Senator Long, Mr. Chairman?

Senator LONG. Mr. Secretary, most States seem to be moving ahead successfully with child support programs of both welfare and nonwelfare families. Do you believe that services which are being provided to the nonwelfare families should continue permanently as an integral part of the child support program, and do you think that they have been effective in helping families stay off welfare?

Secretary CALIFANO. I am not 100 percent sure, Mr. Chairman, what services you are referring to.

Senator LONG. I am talking about requiring the father to provide support for his children when he leaves.

Secretary CALIFANO. I am a very strong proponent of that program. Mr. Chairman, that program works. It not only works in the context of finding fathers, getting them to fulfill, encouraging States to assist mothers to get their fathers to fulfill their responsibilities, both moral and legal, but it also saves the Government money.

We are now estimating for every $100 that we invest in that program, we receive a return of $125. That is three times the level of profit that the manufacturing corporations make in this country.

Senator LONG. That is the Federal level?

Secretary CALIFANO. At the Federal level. A substantial amount of money is returned to the States.

Senator LONG. I was particulary asking about the situation where you have a nonwelfare mother. That was my amendment—if you have a nonwelfare mother, she can pay the expense, but the Government would provide the service, just as they would for the welfare mother, to go find that fellow and proceed against him, to pay the support that he owes under the law.

How do you feel about that part of it?

Secretary CALIFANO. Mr. Chairman, I guess I would answer it in two parts. We have a lot more welfare mothers who need that service who are not yet receiving it.

Second, I can give you a personal view. I cannot give you an administration view, on the particular proposal that you suggest. I, myself, think that it would make sense to do that, and I think that program has worked in many States where it is in place. We can make it work in other States, and I myself would support it.

Senator LONG. It seems to me, Mr. Secretary, saving a lot more money and doing a lot of good does not meet the eye, and a great many of these families where the father is providing the support, because he knows if he does not pay something to help his children, we are coming after him, and the Government is not going to sit there and let him get away with that.

You probably have three or four times as many families when the father is doing a duty for his children because he knows he cannot get away with it with impunity. Somebody is going to do something about it.

That is a saving that does not meet the eye of the fellows who make the contribution, because they know that somebody is going to go after them if they do not. You may not be very familiar about this part about the nonwelfare mother. I was concerned about the fact that a father goes down to Florida somewhere and marries again, so you could not get the local people down there to do anything about it, because the mother who is trying to support that child is left up here, so we provide in the law, if the local authorities will not do anything about it, the Federal Government gets into it, the U.S. attorney can now get involved and sue that man in Federal court.

I believe that is working out well. I do not know if you know much about that or not.

Secretary CALIFANO. We can provide information on that for the record. I would note, Mr. Chairman, that I think that we would like to see some kind of an income limit. A millionaire would not need us to pick up the tab to find the father. While we should go beyond the welfare population, there should be an income limit.

[The following was subsequently supplied for the record:]

CHILD SUPPORT ENFORCEMENT SERVICES FOR NON-AFDC FAMILIES

Non-AFDC child support collections are substantial. Actual collections in FY 1976 were $230 million for 40 States reporting. States estimate that they collected a total of $324 million in 1976 and will collect about $415 million in FY 1977 and $488 million in FY 1978. Based upon the level of collections secured and anticipated, we believe that without the non-AFDC program a substantial number of families would be eligible for AFDC, and that the number of such families is increasing as the services become more widely available. We are currently designing a study of the dynamics of the child support enforcement caseload which will provide significant information on the effect of the non-AFDC aspect of the Child Support Enforcement program. The results of this study should be available in about 15 months.

We do not believe that restricting Federal funding to those services provided to non-AFDC families whose incomes do not exceed 200 percent of the AFDC standard of need will have an adverse impact on the ability of the program to avoid costs by preventing eligibility for AFDC. Although we estimate that the income limitation would result in a 13 percent reduction in the number of non-welfare families projected to receive services, services will still be provided to individuals who are vulnerable to becoming eligible for AFDC. The income limitation may well have a beneficial effect on AFDC cost avoidance because it will encourage States to concentrate resources on the vulnerable population. States have reported that, while there is no opposition to providing child support services to low income families, there is some opposition from State and local officials and from the private bar to providing free legal services to affluent families. Thus, the income limitation should make the program more palatable to the States.

Senator LONG. There was an article in U.S. News & World Report called "Welfare Programs." The steady step-up of the Federal Government's work incentive program in finding jobs for welfare recipients, for example, the WIN program, placed more than 210,000 individuals in jobs last year. This is more than twice the number that it placed in the entire first 4 years of its life in 1968 to 1971.

[The article referred to above follows:]

LABOR: WHEN STATES TELL PEOPLE THEY MUST WORK FOR WELFARE

Utah's "workfare" program has blazed a new trail. Now many other States are testing plans aimed at the same goal: putting people on relief to work.

The idea that able-bodied people should be required to work for their welfare money is spreading rapidly across the U.S.

One such "workfare" program attracting nationwide attention is operating smoothly in Utah.

So successful is the Utah plan in moving people off relief rolls that half a dozen other States are taking a look at it as a possible model for programs of their own. Some believe it might even be useful to the Carter Administration in its search for national welfare reforms.

Besides Utah, at least 16 States have stiffened their work requirements or added new work incentives in the last two years. A number of other States and many cities have some kind of program aimed at putting relief recipients to work. And the Federal Government's Work Incentive Program—known as WIN—is steadily stepping up its pace in finding jobs for welfare recipients.

On the Job, On the Dole

The Utah plan is unique in several respects. It is sterner and goes further than most other programs. It is mandatory. And it doesn't just train people for future jobs. It actually puts them to work while they are still drawing welfare payments.

In most places, such work requirements apply only to people on programs financed by State or local funds, such as "general assistance" or "direct relief."

Utah's plan applies to those who receive Aid to Families with Dependent Children (AFDC), a huge, nationwide program that draws heavily upon federal funds. Utah officials say theirs was the first work requirement approved by the Department of Health, Education, and Welfare for application to AFDC.

"Utah is the first State where people earn their welfare grants," claims the program's co-ordinator, Usher T. West.

Officially, Utah's method is called a work-experience and training program. But its training is not the usual type done in classrooms. Trainees learn to work by actually working. If private employment cannot be found for them, they are put to work for public agencies, doing jobs that are needed by State or local governments. They serve as teachers' aides in their neighborhood schools or plant trees in public parks, for example. They work three days a week but remain on the welfare rolls until they find regular jobs.

Only ill, aged or disabled persons or mothers with children under 6 years of age are exempted. All others are told to take one of the jobs offered to them or lose all or at least part of their welfare payments.

Those who participate in the program are helped by the State to find jobs in private industry. Many are doing so.

In one six-month period, from July through December of last year, 782 people were assigned to the work program. Of that total 311 were removed because they did not perform as required. But 11 people were hired by the sponsors who gave them their training jobs, and 218 found other kinds of employment. In addition, 109 mothers found enough work to reduce the amount of welfare funds needed to support their families.

"Feeling Great"

A 32-year-old mother of two children was hired recently as a full-time office worker in Salt Lake City's assistance-payments administration, the same office that handed her welfare checks for 13 years before she took job training for two years. During the instruction period, she says, "even though I was getting welfare I felt I was working for it." And now, she adds, "With my new job I am barely making ends meet. But I feel great because I am making it on my own."

Utah officials point out that communities as well as individuals benefit from the program. Some agencies, such as private nonprofit organizations that are constantly short of funds, report that the services of welfare recruits have been invaluable.

One self-help agency in Salt Lake City, for instance, had the funds to buy insulation for the homes of elderly poor people, but lacked money to hire workers to install it. Welfare trainees have been assigned to the job. Another self-help group put trainees to work repairing the homes of elderly Salt Lake City residents.

A Question of Legality

Some critics charge that Utah's job-training effort is nothing more than a thinly disguised public-works program that uses under-paid welfare recipients in place of regular employees.

Legal-services lawyer Lucy Billings says she is considering filing a court suit against the program on the ground that it violates federal regulations that people cannot be required to work for their welfare payments.

It took Utah three years to get its program approved by the U.S. Department of Health, Education, and Welfare. For 18 months, HEW withheld federal contributions to Utah's program for Aid to Families with Dependent Children. It cost the State almost a million dollars to make the AFDC payments entirely from State Funds. But many Utah people feel that it was well worth the cost.

Utah officials concede that their program might not work so well in other parts of the country, especially in big cities where population is denser and welfare rolls are much larger. Of Utah's nearly 1.2 million residents, only 39,000 are getting money grants of aid. Also, it is suggested, labor unions in more-industrialized States might oppose welfare people being given jobs that might be sought by union members.

But in the view of Robert W. Hatch, a field director for the Utah assistance-payments administration, public acceptance of the idea that welfare recipients should work for their money is spreading throughout the nation. Says Hatch: "I think that in time, putting welfare clients to work will become a common practice."

In fact, a trend in that direction is already apparent.

Oklahoma has a 2-year-old work-experience program that was passed by the legislature at the urging of Governor David Boren. It requires that anyone 18 or older in a family receiving Aid to Families with Dependent Children must visit the local employment office and sign up for a job that's available.

In 1975, there were 2,300 persons participating in the Oklahoma program. Many worked in State institutions, hospitals or in county offices for $5 a day to offset expenses, plus their regular AFDC checks.

"They are usually placed in jobs where they can easily be trained and hopefully be picked up by the business community," says a State spokesman. Last year, more than 700 persons were placed in permanent positions outside the government.

The Risk of Rejecting Work

The Texas legislature recently passed legislation to supplement the Federal Government's Work Incentive Program. Welfare recipients must register for work, and if they reject a job without a good reason, their benefits may be cut off after an administrative review.

North Carolina's legislature this year passed a law requiring welfare recipients to register for work.

As the law's sponsor, State Senator E. Lawrence Davis of Winston-Salem, explains it: A family head who fails to register is taken off the rolls. But aid to his or her children will continue as "protective payments" made through some other person or perhaps an agency, such as a church. Since the law did not take effect until July 1, it's too soon to tell how effective it will be.

A Part-Time Work Force

In the State of New York, all employable persons receiving general welfare-assistance payments have, since May 1, been required to work three days a week in a local-government agency if jobs are available.

There are about 60,000 such persons, and State Social Services Commissioner Philip Toia says: "We're hoping to develop jobs within local-government agencies for at least 30,000 of those employables within the next three months. We're hoping that, when faced with working three days a week, many will go out and get a full-time job."

One problem is that four-fifths of the employables covered by the program are in New York City, where in the last two years thousands of public employees have been laid off in the city's efforts to cope with a financial crisis. "I anticipate some complaints from the municipal workers' unions," says Assistant Welfare Commissioner Irwin Brooks. However, according to a *New*

York Daily News poll published May 23, about 87 percent of residents in the New York metropolitan area approve of the new workfare program.

Work-for-welfare bills similar to New York's are pending in several States, including Connecticut and New Jersey.

Massachusetts is one of the States studying the Utah plan of mandatory work for heads of AFDC families. Since 1975, Massachusetts has barred all employable persons from direct relief or general-assistance rolls. The State of Rhode Island followed suit last September, cutting its relief case load by more than 20 percent.

MILLION-DOLLAR SAVINGS

Bridgeport, Conn., started last year a plan requiring employable people receiving welfare to work one or two days a week, depending on the amount of their aid. About 300 persons out of a case load of 1,330 are now working. If they fail to work for a period of two weeks, their benefits are automatically terminated.

Result: Bridgeport's case load has been cut 45 percent in a year's time, with a million-dollar reduction in the city's welfare budget.

Milwaukee County, Wis., has a locally run pay-for-work program, requiring all able-bodied welfare applicants to take specially created jobs in municipal or county departments. They are paid $2 an hour for a 32-hour workweek.

One experiment being watched closely is a "supported work" program run by the Manpower Demonstration Research Corporation, a nonprofit, tax-exempt organization set up with the support of the Ford Foundation and five Federal Government agencies—principally the Department of Labor.

It has 15 projects in 13 States that provide jobs, mostly with public or nonprofit agencies, for more than 2,000 marginally employable people, including AFDC mothers. Instead of welfare checks, they get paychecks at minimum-wage rates.

A mixture of welfare funds and grants is used to finance the program. The workers will be helped to find permanent jobs in private industry once they have developed the necessary skills.

Many towns and some States have found that the administration of work-for-aid programs is too costly to justify the small numbers put to work. But the search for practicable systems goes on—and widens.

In the words of Fritz Kramer, a manpower specialist with the Labor Department: "A number of States are exploring ways to provide jobs in either the public or the private sector to get people off the welfare rolls."

Senator LONG. What has HEW done to increase WIN's, the work incentive program's funding, and expand the program to put more individuals in jobs in private industry?

Secretary CALIFANO. Mr. Chairman, we have been studying the WIN program as a part of the welfare reform proposal. I think that our general belief about the WIN program is that it has some problems, it has not worked as well as we would like to see it work. I think that we will be up here with some substantial proposals relating to jobs generally in welfare, in August, and then testifying here, I believe, sometime in September before this subcommittee on the welfare proposals.

I would like to provide the committee with a more substantial analysis at that time, if I may.

Senator LONG. Now, we are getting 210,000 moving in jobs and I am beginning to get encouraged. I noticed after we recommended and authorized here the funds to take care of the additional people who want to go into the program to find employment, the Appropriations Committees did not provide the funds. We will need your help to do that, if you agree with us that this work incentive program is a good idea and should be expanded and carried forward.

Secretary CALIFANO. We think work is a good idea. There are a lot of work incentives that have to be put in the program. We feel we

can make some substantial improvement in job-related programs, and the best way might be, if it is all right with you, Mr. Chairman, to come up here in August or September when we testify——

Senator MOYNIHAN. August?

Secretary CALIFANO. We will have a proposal to the Congress in August. I will be glad to come up here in September. I am scheduled for the House in early September on the subject, and we will have an analysis that I think will be helpful. I know and share your desire to get people who are on welfare working, and we know even with the problems that we see in the WIN program—one of the interesting things about it is that 25 percent of the people in that program are volunteers. People want to work. Nobody in the country wants to be poor.

Senator LONG. We agree on a couple of basic things. It looks to me that we agree that it is a better idea for a person to have a job than for a person to live on welfare and we ought to make the job more attractive than welfare. So we are making progress in that direction.

As long as we can agree on certain things we are trying to achieve, then all we have to agree on is what are the tools that we have to have to do it. We are making headway.

Thank you very much.

Senator MOYNIHAN. Senator Danforth?

Senator DANFORTH. Mr. Secretary, on page 13 of your statement, you talk about child welfare services and the present inadequacy of child welfare services. You say we intend to change that by directing significant new Federal money, $63 million in fiscal 1978, and so on, into the development of State systems for tracking case review, due process safeguards, and preventive and restorative services for children at risk of foster care.

My question is I think substantially the same as Senator Packwood's second question to you. I sometimes think that I am the only person in the Senate who really cares much about State or local government, but I spent 8 years in State government and everytime I go back to Missouri, every local official I see is complaining about Federal Government and what it is doing to them. You say that you do not want to dot the "i's" and cross the "t's", and yet I wonder how you are going to avoid that. You want to create broad Federal standards, yet I wonder if there is such a thing as broad, Federal standards.

One of the experiences that I had in this recent recess was meeting with some local officials and they were talking about their local development program—which, of course, is not in your Department.

They said that the block-grant concept has backfired and the only reason it has backfired, if you have categorical grants, at least you can show the bureaucrats in black and white what the restrictions are, and if it is not in writing, it does not exist. Whereas, they claim with the block-grant concept, the bureaucracy is on an ad hoc basis within the local community, within a region, developing its own standards and its own programs.

I just wonder, can we not give State and local governments the money and say to them, look, this is money, in this case for child

welfare services. Use it to the best of your ability. Here are some ideas that we have—rather than getting the Federal Government in the business of, for example, due process safeguards?

H.R. 7200 has the Federal Government in the business of monitoring the courts, the State courts system, and whether you do it specifically or generally, I see in this approach a tremendous potential for yet more Federal intrusion. There are some very well meaning people out there; they are not all clods.

Secretary CALIFANO. Senator, I think one of the most difficult problems at HEW is how to strike the balance of what it is appropriate for the Federal Government to do in dealing with the States, cities, and counties and what it is inappropriate for the Federal Government to do. There is no question in my mind but that we are far too deeply involved as a department of government in State and local government.

I find anywhere I go one more preposterous regulation on top of another. Indeed, I am setting up a unit to begin a systematic review of all of our regulations. We have reached a point where we are making it impossible to achieve the objectives that we are seeking, because we are overregulating.

We looked at H.R. 7200 as we began looking at this problem and we really came to essentially this kind of a conclusion, that many of the provisions in H.R. 7200 are too detailed and too specific. I think, as this legislation works its way through the Congress, you will find the administration is for less detail than the Congress as a whole will be for. That is increasingly true in the case of much legislation. The legislation for handicapped children that passed a few years ago read like an HEW regulation. It would have been unthinkable to have a piece of legislation like that 10 years ago.

And how do we go about setting the balance? We looked at some of these objectives here. We have not yet submitted a bill. We have been talking with the staff of this committee and with the staff of the Human Resources Committee and with Senator Cranston's staff to try to strike that balance.

I do think that the point in which we believe that there is a need for funds for some general areas, there are some glaring absence of actions that should be taken in the adoption area. We do not spend a lot of money on adoption. States and local governments spend most of the money in this area. We contribute a relatively small percentage, as some of these programs go.

We should set those standards. I think that there are broad standards needed. I do not think we ought to be in the business of overseeing a State court decision any more than I think Federal judges should be running certain segments of the Department which has happened over the last 8 years. I do think that we should set some standards.

Your point about block grants, I might note, Senator, is a point that I made in an article I wrote objecting to block grants. I said by the time it was over that there would be more strings attached to block grants than to any categorical program. There is no question that that happens. The problem is they are invisible strings. You do not know what you are supposed to do and not supposed to do.

The second point that I would make about this area is the point I made in response to Senator Packwood. It is a group with nobody for it except some of the professionals who are in the business, the child welfare people and private organizations, the child welfare people that work for State governments, and we think some of those incentives should be provided here.

Senator DANFORTH. With all due respect, there are a lot of groups like that and HEW is dealing with a lot of groups like that, and yet everytime that I go back to my State, I see one incredible case after another of backfiring because of this same purported concern.

There is a situation which I will not belabor right now, in Warrensburg, Mo., where HEW has told a community hospital that the meals-on-wheels program, which is entirely voluntary and community run, which charges elderly people who are shut-ins $1.25 a meal, has got to start charging them, guess how much? $2.31½ cents a meal, not $2.25 or $2.50, but $2.31½ a meal.

It just seems to me that maybe we should start getting to the point where we say, there are some people out there who are sensitive. The people in Warrensburg, Mo. are at least as sensitive as anybody in Washington to the needs of elderly shut-ins; that in the case of kids, I have seen how our programs for the retarded in Missouri, which do not have a great constituency either, malfunctioned because of Federal overreaching.

Why not just say look, we are for adoption rather than foster homes. We are for child welfare services. We believe child welfare services should follow certain directions. Here are the directions that we think that they should be tracking, that we think that there should be case review, that we think that there should be due process.

But the minute that you get into this kind of a statement of objective and legislation as a condition for your money, whether it is a specific condition as is true in H.R. 7200 or whether it is a general no-"t"-crossed condition as you proposed in your statement, I think you are just getting directly in the business of sending the bureaucracy out into the countryside and taking over these programs, even though the amount of money that you are spending is not nearly as much as being spent by the States.

Senator MOYNIHAN. If the Senator would yield for a comment?

Senator DANFORTH. Certainly.

Senator MOYNIHAN. I was in New York last week, as you were in Missouri, and I had occasion to speak with a distinguished scholar at Columbia University, a man who has the responsibility directly for the College of Physicians and Surgeons at Columbia University, the oldest medical school in the country and, in my view, certainly one of the best.

He described HEW regulations affecting the university's teaching hospital. He said they comprise a very thick book, about that thick. But it need not be that thick at all. They could write it all down on one page. The regulations of our hospital, our teaching hospital, could be put on one page. Close it down.

Senator DANFORTH. Let me ask you a specific question. What would be wrong with just putting this money in title XX?

Secretary CALIFANO. Senator, we are talking about two different things. It is services money. I take it from what you say you do not

have any objection to, in effect, lifting the prohibition from the welfare money for continuing payments in a situation where a family wants to adopt a child?

Senator DANFORTH. Not at all.

Secretary CALIFANO. We think if we just put the money in title XX we would end up having less money for child welfare services in many respects than we now have. We think the money should be specifically directed to child welfare services. Within child welfare services, we think that unless we provide some general objectives so it will not be spent to deal with some of the individualized systems damage.

Senator DANFORTH. I think your heart is in the right place. I think it is very commendable. But I can just see it coming.

Secretary CALIFANO. I do not have it with me, but if I may, Mr. Chairman, make a part of the record here a General Accounting Office report* which came out earlier this year dealing with State adoption agencies and the child welfare services programs of the Federal Government which prompted some of the interest in this area on the House and Senate side.

Senator MOYNIHAN. Thank you, Senator.

Senator Hathaway?

Senator HATHAWAY. Thank you, Mr. Chairman.

Mr. Secretary, I certainly agree with the changes that you would like to make. I have a few questions that I wanted to ask you.

Before I do, I would like to remind those who are so much opposed to categorical grants and want to see a block grant system that, prior to the Kennedy and Johnson administrations in the 1960's, many of us will remember that many States were doing absolutely nothing with respect to social services. The Federal Government finally came around to providing it. What the States were doing, they were doing in a discriminatory manner.

I would hope with the greatest hesitation, that we would stop these categorical grant programs until we are absolutely sure that the States will go ahead and do the things that the Federal Government was doing in the meantime. What the States forget is that we keep those lobbyists, who have a greater effect on State governments, off their backs by providing that the money should be spent for a specific purpose and this assures that it will be spent for that purpose. And as I said, it prevents the local lobbyists from seeing that it is not.

A few questions that I have to ask you. I presume that you would not agree to take title IV–A and IV–B and to meld it into title XX.

Secretary CALIFANO. No; we would not be for it.

Senator HATHAWAY. I understand that you do want to raise the cap on vendor payments, which are about 10 percent, to landlords and whatnot, but I am a little leery. Is that true?

Secretary CALIFANO. We would permit that cap to go up to 50 percent. Part of the problem is, if we do not do something like that and do it retroactively, for example, New York City and New York State—New York City would owe millions of dollars, and there are many cities like that around the country. Another part of the problem is, we think that as long as they are in place, they are voluntary arrangements that the States are enforcing and protecting the indi-

* The report was made a part of the committee files.

viduals concerned, that this can work. There is disagreement among the State welfare people whether this is a good idea or not. They are split on this issue. We finally have come down to providing a higher cap because of the problem that I mentioned.

Senator HATHAWAY. The person renting could not withhold payment from the landlord?

Secretary CALIFANO. You are right. The argument you make is one of the arguments people make who do not think this should be done.

Senator HATHAWAY. It is still a debatable question.

Secretary CALIFANO. It is a difficult and close question.

Senator HATHAWAY. We have provided a $200 million increase last year in social service funding. Should we not go higher than that? Should we not provide for redistribution of that money not taken advantage of the first time around?

Secretary CALIFANO. We proposed an extension for this year, and Senator Long has proposed that the $200 million temporary increase be made permanent. I am not saying that that provides all of the social services necessary. I am saying, in the context of the larger, fiscal budgetary situation, both within HEW and within the administration generally, we think that this program should remain capped and should not become an open-ended program. We are still suffering and trying to negotiate with the States from the years when this was an open-ended program. There are tremendous differences between us and the States as to who owes who what. We may well be up here, before that is over, asking Congress to bail us out. We think it should have a cap on it.

Senator HATHAWAY. Do you think $200 million is sufficient increase?

Secretary CALIFANO. In the context of the present fiscal 1978 budget situation. At this point in time, the $200 million is sufficient. Whether we will want more substantial increases in fiscal 1979 is something we are looking at right now.

Senator HATHAWAY. Thank you very much.

Thank you, Mr. Chairman.

Senator MOYNIHAN. Senator Dole?

Senator DOLE. Thank you, Mr. Chairman.

I have tried to read very quickly your excellent statement, Mr. Secretary, but I may duplicate and repeat questions. As I look at it, you are proposing two new entitlement programs?

Secretary CALIFANO. Senator, yes. One of those programs essentially takes the existing money in the AFDC program that pays for the 117,000 children who are on foster care and welfare, to say that that money can be spent if those children—to subsidize adoptions as well as for foster care presently—if a family has a child in foster care and loves it enough to adopt it, at that moment in time, we cut off AFDC payments. We would like to continue. While it is a new program in that sense, it is not a new money program.

Senator DOLE. I guess my question is what is the rationale for recommending entitlements rather than the authorization process because, as a member of the Budget Committee, I can state that there is some resistance to new entitlement programs.

We had an amendment offered on nutrition programs just a couple of weeks ago on the floor that moved it from an authorization to an

entitlement program and there was considerable concern expressed by members of the Budget Committee.

Secretary CALIFANO. In terms of the AFDC payments, that is in effect an entitlement program now. Children are eligible or ineligible for welfare payments. We do propose a cap which is not presently in the law which would, beginning in fiscal 1979, increase it by 10 percent a year for 5 years and put a permanent cap on it in fiscal year 1984. We would propose writing that into law now. In effect, we would be making an entitlement program and then capping it. We share some of the Budget Committee's concern in that area. As far as the addition of $209,500 million for child welfare services, that amount of money is already included in the budget resolutions in both the House and the Senate, although it is new money, as far as the Carter administration is concerned.

Senator DOLE. On page 17, as I recall, you indicate that you would cap the foster care adoption maintenance program at a generous level. Is this spelled out more specifically in the appendix?

Secretary CALIFANO. Yes. That is the 10 percent per year. It is $171 million this year. That is our estimate for what that program will cost. The AFDC payments to an estimated 117,000 children we would let it find its own level in fiscal 1978 as an entitlement program and fiscal 1979. Then we would cap it and we would begin this 10-percent increase per year for 5 years.

Senator DOLE. You also indicate that the adoption maintenance payments will be made to families until a child reaches his majority or the family income exceeds the income test?

Secretary CALIFANO. That is right.

Senator DOLE. Would you continue medicaid eligibility on the same formula?

Secretary CALIFANO. We would continue medicaid eligibility only for preexisting conditions of the child. One of the deterrents to adoption is the loss of medicaid eligibility. We fear it is particularly severe with a handicapped child and a child who has some preexisting condition that could require significant medical expenses. We would continue medicaid eligibility for preexisting conditions.

Senator DOLE. What is the cost estimate of continuing adoption payments until the child reaches maturity or until they no longer qualify for assistance?

Secretary CALIFANO. We think that we will take care of all children within the capped amount that I have talked about. Going 5 years out, there is no financial wizard in or out of the Federal Government who can predict what is going to happen.

Senator DOLE. Also, you indicate that the due process procedures must include administrative and judicial review of all children in foster care within 6 months, and then again in 18 months. H.R. 7200, as I understand it, has a similar provision, but it also requires that the review at the 18-month level provides a definitive plan of action.

Do you have some positive or definite plan in mind at the 18-month review time?

Secretary CALIFANO. No. Our view is that we would want to be much broader than H.R. 7200. We think H.R. 7200 dots too many "i's" and crosses too many "t's" in this area. We have more general

standards than H.R. 7200. Senator Danforth raised the question whether those standards would continue to be general once we would start regulating them. We hope we can keep them that way.

Senator DOLE. Thank you very much.

Senator MOYNIHAN. Thank you.

I would like to raise a few more questions quickly, then I will let the Senators return to questioning.

Clearly you have seen a very large turnout and you have raised some very important questions. I would like to make it clear that I support your program. I think it is an intelligent one. It is a pressing subject.

I would like to say one thing to you that I hope you will listen to. If you cannot listen, you have a lot of people listening, maybe somebody around you will listen. How many people are here from HEW? Raise your hands. Well, one of you listen.

Joe, you and I have been through a lot of administrations. It is one thing to say, as you have said, that we are overregulated and you believe that we are overregulated. Every Secretary of HEW since the first one has said that there are too many regulations. Each year, the number of regulations rises. Each year, you would have a Senator Danforth come and tell you that it is intolerable. People like me say to you that a distinguished academic administrator of one of the oldest and finest medical colleges in the world said that HEW regulations can be put on one page—close down your teaching hospital.

It is illogical. You do not want overregulation, but persistently, year after year, you want those things which you cannot get without overregulation. When you leave your job, sir—and you know your half-life is about 18 months—there will be more regulations than when you arrived.

You have come here before us with a program that I very much support, but it proposes to extend detailed Federal control into an area of unique sensitivity which is a question of with whom shall a child live? Can the State forcibly take a child away from its natural parents? Do natural parents give up a child?

These things which you describe could hardly be an area of social policy that is more sensitive to the immediate community: not just to the village, but to the block; not just to the block, but to the neighbors on the left and right and across the street. The Federal Government is going to be writing longer and longer and more detailed regulations about the subject, about the people in Columbia, Mo. They are going to wonder, My God Almighty, we know this person, they never heard this name; we have known this family, now they are telling us what to do.

You are going to be back here in 3 years saying you wish you understood. If you do not want overregulation you may not want the things you cannot get without it.

I just feel that it is about time to have a certain candor and openness and confidence in this matter. After all, it is not as if this Congress has not supported HEW, has not supported services. It has. I am now going to ask you, sir, the question from Dr. Derthick's book prepared in CSA for the OMB in 1970: What do we know about the subject now that we did not know last year?

Secretary CALIFANO. Adoption?

Senator MOYNIHAN. Yes. Adoption and foster care.

Secretary CALIFANO. I do not think it is a matter of knowing something that we did not know last year. This is a product, from our point of view, we are systematically going through HEW laws and regulations to identify those that we think provide incentives.

One of the provisions we found was the provision in the welfare law that said we will make these payments only to foster care situations. If the foster parents adopt the child, we will cut off payments. That part is a function of that.

I must say, in all candor, they are very much a function of work done up here on the Hill, in this staff and the House staff, Congressman Miller. The second part of the program, the portion dealing with tracking was brought to my attention by Vice President Mondale, Senator Cranston, Congressmen Miller and Corman and by the General Accounting Office report, and led us to the conclusion that if we provided some relatively gentle incentives, that we could significantly improve the individual assessment of the children on welfare.

I am sensitive, Mr. Chairman, to your first point. I do hear you on that. It strikes me every single day, the point of not wanting to regulate or overregulate and at the same time, wanting to get things done. We are trying to go about unshackling some of those regulations. Even when you move to do that, it is very difficult.

We took the handicapped regulations which, in my judgment, were confusing, much too long, much too detailed, revised them, cut them by 40 percent from the draft that was sitting there when I arrived. We think we provided all the substantive protection that was there before, and I had some Georgia rehabilitation people say to me, tell me on Thursday that the first regulations come out, a regulation that they could understand. In the course of doing that, we were deluged with complaints from some people interested in those regulations that we were somehow not being specific enough, or what have you.

Senator DANFORTH. May I interrupt at this point

The issue, Mr. Secretary, is not length and complexity. That really is not the point at all. The point is who makes decisions, at what level are decisions made?

I think what you are saying, we really want to make them here in Washington and hopefully we can make them so they are simple enough so those folks out in the countryside can understand them. We want to make them because we really think we know how things should be done.

Senator MOYNIHAN. If the Senator would yield, are you suggesting that Secretary Califano is a real menace because he is going to write regulations that can be understood and therefore must be obeyed?

Senator DANFORTH. The reason I am so revved up on this, I just came back from being home and talking to a lot of people. My constituents really think they are being pushed around, ordinary people do, people in local and State governments do. It may be a storekeeper, car dealer, banker who happens to be the mayor or the city councilman. They really think they are being shoved around and

they do not want it anymore. They do not want it that way anymore. It is not a question of complexity, not a question of gobbledygook. That is not so much the issue at all.

That is laughable when that occurs, but that is not the point. The point is exactly what Senator Moynihan said. If you do not want to regulate, what you give up is some of the things that you would like to accomplish, but maybe what we have to recognize in this country is that the fundamental values that go back to our earliest days, the fundamental value that is capable of standing on its own feet, is the decisionmaking should be shared, that it should be spread out throughout the country, that it should not all be aggregated here, and we are just going to have to face up to that.

The thing that concerns me, whether you are talking about broad Federal standards, or you are talking about the kind of specific things in H.R. 7200, you are still going to get more and more into preemption and supercession by Washington.

Secretary CALIFANO. The only thing I can say to that, I think that over time, indeed, in this session of Congress certainly, that you will find that we are less desirous of telling people how to dot "i's" and cross "t's" than the Congress is. We are, for example, in the education area, currently under a statute that requires that we write 90 regulations in 240 days. The date on which the regulations are to be issued is written into that statute.

Senator MOYNIHAN. The Secretary makes a fair point here. Senator Danforth makes a fair point, too.

Senator Dole or Senator Packwood, would you like to comment on this particular point?

Senator PACKWOOD. I have your solution for the teaching colleges. If Columbia and Harvard were to close their graduate school of sociology, you would cut off the sources of the people who write the regulations.

I listened over and over. Joe, you said it. They live in Warrensburg, Mo. and we live in Washington, D.C. You used "they" and "we." Those people disagree.

Pat has put his finger on it. You are going to have to come to a decision. You are either going to give "they" the money and "they" may not spend it right, "they" might spend too much for day care and not enough for foster care; "they" might not spend it the way "we" think they ought to spend it. But you cannot have it both ways.

We went through this battle with the extension of general revenue sharing last year. When you say "they" out there want more definiteness, more specifics, that sure was not true in general revenue sharing. The recipients wanted less regulation, and they got it.

The only two serious strings left now, one, you much account for how did you spend it, not what you spent it for; two, you must not discriminate in the spending of it, and they wanted to get rid of that regulation also, but we would not let them get rid of that one.

You are wrong if you think that they want more specifics. They want more generalization, broader authority, more discretion, so they can spend it for the things that they think are important.

Congress has been as bad at this as the administration. I am not trying to, in this sense, fault you and say we are pure. But there is a

change of philosophy in the Congress. A lot of it has come from younger Members. A lot of them are Democrats who, until 2 or 3 or 4 years ago spent their time in State government. They are coming here with a different attitude than the people had in the mid-30's.

I do not sense the tenor of your testimony, Joe, accept that.

Secretary CALIFANO. I guess I think it does accept that. Even with these new Democrats, the Congress will still legislate more specifically than the administration will ask. I hear the same thing Senator Danforth says, but it is not a monolith out there. There is also an element of bureaucracies, if you will, dealing with bureaucracies. The individual who wants to adopt a child or the individual who wants to accept foster care, or what-have-you, all of us feel pinched by too much regulation when we confront the State, to get a drivers license or whatever.

There are also people out there in State governments who have an entirely different view than the one you have expressed. I do not think, over the long haul, wide-open revenue sharing makes sense, quite candidly. The reason for that, I think it begins to separate the taxing power from the spending power.

Senator PACKWOOD. What is wrong with that?

Secretary CALIFANO. I think that there ought to be requirements for those who want programs, who want to spend money in certain areas, to face the difficult political task of raising that money.

Senator PACKWOOD. We have preempted their best tax sources.

Secretary CALIFANO. Some. The States are going into a surplus. It will be a very interesting and difficult issue in regard to certain portions of this country.

Senator MOYNIHAN. I am pleased to hear that.

Secretary CALIFANO. Not yours and mine.

Senator MOYNIHAN. I would like to move to a few quick questions here. Then we can go on to some general points.

I asked you, what do you know about the subject that you did not know last year, and with respect, sir—it is not your doing, you were not there last year—you are saying you do not know one damn thing that you did not know last year.

I would like to point out something else. For the last 6 years, the Department of HEW has not collected statistics on adoption and foster care.

Secretary CALIFANO. When I got into this subject, I offered the GAO report I mentioned and offered the discovery about the limitations on AFDC payments. I agree with you. We have a terribly inadequate data base. I kept asking for more and more data; it is not there.

Senator MOYNIHAN. We do not have any national statistics. I would like to offer you a general proposition.

You spoke about the incentives and this and that. You looked at the regulations like the good lawyer you are—and you are a very good lawyer; you are the first half-million dollar lawyer we have had before this committee—and you said that does not make sense. I would not behave that way. With this set of incentives, I would act this way; with that set of incentives, I would act some other way. And you have a model in your head as to how people should behave. It is a complex model.

Half of it is Adam Smith; the other half has to do with frustration and aggression and Freud. That is very confusing.

There is a rule. It is Forrester's law. It is a very serious statement as to a complex social system. Professor Forrester says, with a high order of probability, it may be stated that with respect to complex social situations and social problems intuitive solutions are almost invariably wrong. This is a serious point. Do not be surprised, sir, as you keep working to solve problems of dependency, if problems of dependency grow.

Do not be surprised. The man who studies systems theory would not be at all surprised that as HEW has spent more and more money to stop dependency, dependency has gotten greater and greater. That would not strike someone dealing with complex social systems as an incomprehensible outcome.

As a matter of fact, it is a rather familiar one.

I am saying this to you very seriously. Your people and your Department have not given you any evidence whatever about the program that you brought before us except that it sounds like a good idea.

Let me say to you, if we looked at the condition of the American child today in contrast to seven decades ago, and if you say that there is probably nothing more precious to a child than the chance to grow up with his natural parents, with both of them, then, the amount of television they can watch, the amount of bicycles they get is not very important compared to this fundamental thing.

The child today in America is significantly worse off than seven decades ago, and that is because of an awful lot of very fuzzy things, including the thinking that says it must work this way. If it must work this way, why does it not?

Two questions. On the whole question of services, this committee is going to start asking Lenin's question, and there is a theory in the process that is described in the social epigram: "Feeding the sparrows by feeding the horses." It is a question of who gets the money.

Can I tell an Al Smith story? Al Smith was beaten in the Harding landslide for Governor in 1920. Two years later, he had to run to get the governorship. He was running against a Republican who had been a good Governor but who had started going around the State saying he had saved New York $3.5 million—which was a lot of money in those days. And he kept saying it.

He had signed a bill, or vetoed a bill, or whatever, and in so doing, had saved $3.5 million. Smith began hearing that this was catching on, so he began following the Governor around, saying, "The Governor says he saved New York $3.5 million, but what I want to know is, where is it and who's got it?"

Could the Department of HEW construct a statistical profile of the median American taxpayer, how old he is, how much money he makes, the median person, that person who is right in the middle, and then construct—I would ask you to do this, Mr. Secretary—construct a statistical profile of the people who will get the money you are proposing in these services?

And I want to ask you if you would be increasing or decreasing income equality by your proposal.

Secretary CALIFANO. Mr. Chairman, I cannot answer that. I can make that construction. I understand what you are after. The reason I cannot answer it, even with respect to the States, child welfare services are not on the whole uncontested. If one needs child welfare services, one goes to the State or county government and gets them. Therefore, that kind of data would have to be taken——

Senator MOYNIHAN. It is an effort, but would you try, Mr. Secretary?

Secretary CALIFANO. I am sure we could find some money in the vast resources of HEW to do that.

Senator MOYNIHAN. Who are you taking the money from and who are you giving it to, and on whose check does it end up?

I don't want to keep at this too long. I have one last question. In H.R. 7200, there is a proposal that the SSI program be extended to Puerto Rico, the Virgin Islands, and Guam. Does the administration support this?

Secretary CALIFANO. Our view, Mr. Chairman, is that that proposal should sit in abeyance until we come forward with our welfare reform proposals, which we hope to do the first week of August.

I would, if I may, Mr. Chairman, like to just mention briefly and respond to your point about social workers. Within 2 weeks after I was announced to take this job, I talked to someone and I asked him to come help me specifically to look at the delivery of social services, how much actually gets to the individual, how much value can you put on the services, how do they work, any way to devise cost-effective systems, how much goes to the Government, the social worker, the individual, et cetera.

We have been deterred from that for the moment because of the HEW reorganization and the reorganization of the regional offices. We will, within a couple of weeks, begin to try to figure out ways to measure that. It is a political question, and one long overdue, to try to get some answers.

Senator MOYNIHAN. I am very pleased to hear that. I thank you.

The committee staff has a number of questions that are detailed. We would like to submit them to you in writing, if you would respond.

Secretary CALIFANO. We will, Mr. Chairman.

Senator MOYNIHAN. Senator Long?

Senator LONG. Appropos of these regulations, I was just looking at this article from the U.S. News & World Report of July 8, 1977. It has to do with the effort of various States to put welfare people to work and it makes reference to the Utah experiment, for example, where in that State the State wanted to pay people to work rather than paying them not to work and trying to get them into the labor force, and HEW cut off all of the Federal money contending that they had no right to ask anybody to work.

I would like to ask what is your position with regard to this? Suppose we amend this law to say that if the States want to say, as New York does with their general welfare program, if you want to ask somebody to do some work for some of his money, you can pay them to work. I would hope you would pay them more than you would for not working.

Would you have any objection to that?

Secretary CALIFANO. Our view, which we will lay out in some detail, is we believe that—we have not agreed in the administration as to what the cutoff should be, but there is a category of people on welfare who should be required to work, it depends upon the age of the child; we think the incentive should be skewed so no one in such a situation, comparable situations, would not get more on welfare than if they were working in the public sector and those working in the public sector through these programs would make more than they could working in the private sector. The ultimate objective is to skew the incentives for employment in the private sector.

Senator LONG. What I am talking about, do you have any objection to our putting in this law something to let those States do just what you are saying you want to do now?

Secretary CALIFANO. I would have no objection in principle. I think that we would probably want to express some concern about single-parent families, how young those children were, before we would want to agree with a statute that would permit a State to force, for example, a mother to go to work 6 months after her child is born.

Senator LONG. Here is a pitiful situation that you described in your statement about an unemployed father leaving the house and a family can go on welfare. I am saying, do you object if we just make it so that they can make a welfare payment to that father to work rather than to pay him to sit there and do absolutely nothing.

Secretary CALIFANO. No. I think that that would be fine, Mr. Chairman.

Senator LONG. It would save shedding some of the tears called for in this statement that you gave us here.

Secretary CALIFANO. I think that is fine. I think that we have to recognize, in effect, something important, which is the taking care of children is work and it is important work in our society.

Senator LONG. Pay them for it rather than paying them for sitting there. What if a person is getting the money and not looking after the child at all?

I am talking about paying somebody to do something rather than paying them to do absolutely nothing.

Secretary CALIFANO. Nobody in this country wants to do nothing.

Senator LONG. You would be surprised, Mr. Secretary. There are some. I hate to say it, I have been related to some. There are people like that.

I have had neighbors and relatives, associates, friends, enemies, all kinds of people who meet that qualification; running for public office I have met some people broader than your experience.

It seems to me as if we should give these States the opportunity, especially these unemployed families you are talking about, to pay papa to go out and do something. You say he wants to work, pay him to do something.

Secretary CALIFANO. If there is a mama to take care of the children, it is very easy. If not, it becomes a question of how old those kids are, if we want to encourage them to work by bringing up kids if they are very, very young or if we want to encourage them to leave the home and go to work.

Senator LONG. Are you aware of the fact that it is already provided in the law if you put mama to work, papa has left the home, we have fixed it so you can put mama to work in a day care center and we will pay 100 percent of the costs of that. Are you aware of that?

Secretary CALIFANO. Yes, Mr. Chairman.

Senator LONG. I think that that is a good thing and I hope that we are moving in that direction, that you can use welfare money to put people to work. In other words, in the totality of some of the attitudes that people have, you may pay mama for preparing the food, just so that she is doing what you are giving her the money for, or she could work in a day care center or a hospital 3 hours a day or something like that. If they want to pay people to do something useful, it seems to me you ought to let them do it, because that is what you say you want to do yourself. I think we ought to let them move in that direction.

Secretary CALIFANO. We would like to make it clear that those provisions are provisions in the law and not provisions of regulation.

Senator LONG. They are good provisions in the law. I am saying, if it is a good thing what is wrong about doing more of it?

Secretary CALIFANO. There are provisions in the law that prevent us from making payments in situations like the Utah situation.

Senator LONG. That is a regulation of your Department, Mr. Secretary; that was not provided specifically by law. That is the way your Department construed it. It is regulation we are talking about that you cannot pay anybody to do a decent act with the money you administer there. I want to fix it so you can pay them to do the decent act.

It seems to me that that makes sense.

Here is another thing that bothers me about this program. As I see it, the biggest problem in administering the welfare program is not the unemployed father leaving the family. The big problem is whether the father actually has a job and the income is available to help support the family, but he has carried out this pretense that it is not available to the family.

Now, in this article by Mr. Leslie Lenkovsky, "Gaps in the Carter Welfare Program," he said:

Moreover, any two-parent family with younger children under the program you are working under could increase its income by breaking up; so the wages of the one parent would be added a full cash benefit paid to the parent with the custody of the children.

[The article referred to above follows:]

[From the Wall Street Journal, July 7, 1977]

THE GAPS IN CARTER'S WELFARE PLAN

(By Leslie Lenkowsky [1])

The Carter administration's proposed welfare reform plan could bring major changes in the treatment of families on relief. The key element is its recognition that parents in these families can, do and ought to work.

In the past, welfare officials did little more than pay lip-service to this view. They preferred, instead, to regard recipients as chronically dependent, in need of social services and cash. Not long ago, HEW Secretary Joseph Califano

[1] The author is a consultant on welfare.

similarly declared that 90 percent of welfare recipients are unable to work.

Actually only a very small, proportion of welfare families continuously receive benefits. The others obtain jobs, or acquire new members (a stepfather or stepmother) who have jobs or income from other sources. For most families, welfare is a temporary, though perhaps recurrent, interlude in their work histories.

The reform plan devised by the Carter administration offers a strong financial incentive to shorten or eliminate those interludes. Refusal of a job would be costly, resulting in a $1,900 reduction in the proposed national benefit of $4,200 for four-person families. The remainder, $2,300, is less than what a family is now expected to live on in Mississippi, the least generous state.

The federal poverty level is $5,850 for a family of four. To make up the difference between $5,850 and $2,300, someone in the family would have to be employed at the minimum wage for nine months of the year. In other words, a reasonably steady job would become necessary to maintain even a poverty-level standard of living. In many states, that's not necessary now.

These are tough requirements, far tougher, in fact, than any contained in the Nixon administration's Family Assistance Plan and subsequent welfare reform proposals. However, their effectiveness may be diminished by two proposals that recreate some of the problems afflicting the current welfare system.

The first is the intention to exclude single-parent families with younger children from the work requirement. They would be entitled to the full national benefit ($4,200 for a family of four), which, as an encouragement to work, would be reduced at the rate of 50 cents for each dollar of earnings. As a result, the parent not expected to work but who nonetheless does, could obtain with much less effort the same total income as the parent required to accept a job.

Moreover, any two-parent family with younger children could increase its income by breaking up; to the wages earned by one parent would be added a full cash benefit paid to the parent with custody of the children. Defining one group of families as outside the labor force resurrects the anti-work, anti-family incentives welfare reform was supposed to remove.

Moreover, since half the parents in single-parent families containing children younger than three are now employed, it is not unreasonable to expect most heads of welfare families to accept employment. Then the availability of public assistance could depend upon whether the parent worked, refused to work or was looking for a job. (Mothers with infants could be covered by programs for the temporarily disabled, a practice increasingly common in industry, known as maternity leave.)

The Carter administration also seems to think it will be essential for the federal government to become the employer of one million or so welfare recipients. To be sure, it intends to encourage employment in the private sector, but much of its internal discussion concerned providing large numbers of public service jobs.

What these will be is still unclear, although the tasks will likely have more to do with the latest enthusiasms of the bureaucracies—weatherizing houses, stripping lead paint from walls—than with the abilities of welfare recipients.

In any case, the value of exchanging one form of public dependency for another is hardly apparent. Nor necessary. If the heads of welfare families do work, then jobs must be available. These are not always the "meaningful," stable, minimum-wage positions favored by employment officials and caseworkers. But if the administration's plan allows welfare recipients to refuse such jobs or take public service one instead, its work requirement will have little practical effect.

Presumably, the administration will change these features before submitting a bill to Congress in August.

The welfare reform plan outlined so far leaves several other issues unresolved. One is the future of Medicaid, the health care program for low-income families and individuals. In many states, it is a lucrative fringe-benefit of being on relief; the Carter administration has not yet revealed who would be eligible for it when the new plan goes into effect.

Also to be determined is who will run the program. The preliminary design assigns job placement and training to states and localities, with payment of cash benefits the responsibility of HEW. With several million families to be confusion.

Probably no one proposal could be expected to solve all the many problems of public assistance. Nevertheless, the administration's proposal does deal with the central problem, the movement from welfare to work.

Senator LONG. That is a big problem.

Secretary CALIFANO. He is not talking about the program we are working on.

Senator LONG. It is my understanding with what you are working on here, he said in this article that the program being proposed would be such that one parent need only leave and leave the other parent with the child. Even though the parent had a job, as long as you could not find him, you are going to have to provide the benefit that the parent provided for the child.

Secretary CALIFANO. That may be the U.S. News & World Report program or the Wall Street Journal program. There are lots of programs being written, lot of programs that we have looked at. The program we have proposed, I hope will meet with your approval when we propose it in early August.

Senator LONG. My information is that this is the biggest problem that we have to contend with in what we call the welfare mess. I do not know the answer to it. I do not think you have it. We ought to be trying to find it.

It is my understanding that the so-called absent father from the home, where in many cases he has a job—in most cases he does—amounts for the biggest amount of dollar errors found by quality control, running into $190 million annually.

So there is our big problem that we have to contend with. I do not know the answer to it; I do not think your people do.

Secretary CALIFANO. It is very difficult, Senator. All of the issues related to determining income, finding the father's income, how much income the mother has, what the set-asides are, what have you, create enormous problems in terms of the error rate in AFDC.

Senator LONG. One of these welfare workers told me a few days ago, a mother came in applying for AFDC. He said under this new law, before we can provide you with this money we have to make every effort to find the father and make him contribute something. She said, if you have to fool around with all of that, just forget about it. That has to do with the problem.

We must find a way that we are not just ripped off in cases where the father actually has the job. Many times he is in the home. He is just not there when somebody comes around asking about him, where he does have a job, the income is there, and yet we are led to believe that that income is not available to that family, even though, in fact, it is.

That is the one problem. If you can find the answer, I wish you could let me know, because I have not found it yet. I think that is the big one.

Secretary CALIFANO. It is a big one, Mr. Chairman.

Senator LONG. Thank you.

Senator MOYNIHAN. Thank you, Mr. Chairman.

Mr. Secretary, the chairman raised the question of some statutory provisions that this Congress has made with respect to a payment for work and possible conflict between regulations in the Department.

I wonder if Miss Martinez would not address herself promptly to the question of how we can reconcile the statutory questions of Congress.

Secretary CALIFANO. Why do we not submit to the committee why we believe that present law requires this in those situations, and get the committee's advice and counsel?*

Senator MOYNIHAN. Would you also submit to the committee what the law should be to carry out the chairman's intentions?

Secretary CALIFANO. I think, Mr. Chairman, that your desire to have a system that encourages work and encourages the holding of the family together will be satisfied when we come with our proposal in August. I hope it will.

Senator LONG. Mr. Chairman, that bill you bring up here will not become law the same day you bring it.

Secretary CALIFANO. I understand that.

Senator LONG. There is going to be a period during which the States still have this program, even after you bring it in, and of course, as optimistic as everybody may be, what you are recommending may not become law. If it becomes law, it may not be law as you suggested it.

So during the interim, I think that we could do nothing but gain by letting the States do some of the same kind of things that you say that you would like to do with your program.

So when you say to us that we should not let a family starve and go hungry, on the other hand, if they are willing to take a job and do something they are better off than they are if they do not.

It seems to me they should be willing to let the States try some of these things and see what they found out, during the same period of time. If it does not cost us 5 cents extra, it seems to me as though we should do it.

Here we have specifically said in the law in certain situations that you can pay a welfare client to do something rather than to pay them for doing nothing, and you are better off when they do it. I am saying if we say that and you are recommending to do that kind of thing with your program, why should we not permit the States to do some of these things pending the time when the Federal Government takes over?

Secretary CALIFANO. Let me look at the question, Mr. Chairman, and respond thoughtfully. I think we do have a variety of experiments and demonstrations that have been conducted in this and other areas. Let me also submit those to this committee, because more and more reports are coming in. We share the same objective.

[The following was subsequently supplied for the record. Oral testimony continues on p. 94.]

WORK AND TRAINING DEMONSTRATION PROJECTS

Following are summaries of work and/or training demonstrations which were approved in the period 1963–77, are currently under consideration, or are being developed by public assistance or other nonprofit agencies. Also included is a brief discussion of accomplishments resulting from the projects which were completed.

1. *"Summer Youth Employment"* (7/1/63–9/30/69)

The first Section 1115 project, approved effective July 1, 1963, was the District of Columbia "Summer Job Program" project. This was a waiver-only

*See p. 117.

project, which disregarded the income AFDC youth earned due to summer employment. During the course of 6 years, 27 demonstrations were carried out across the country. Findings included the fact that work motivation was outstanding. This group of projects was overseen by the Commissioner of Welfare. (The final reports for these projects are no longer available.)

2. *"Incentive Budgeting to Create Client Motivation"* (Ohio) 7/1/66–6/30/67

A Section 1115 waiver-only project, No. 104, was carried out in Cuyahoga County. The purpose was to motivate public assistance clients by demonstrating two incentive plans. The first allowed a family to retain earned income (after work expenses) equivalent to 100 percent of the assistance grant. This applied to parents receiving supplemental AFDC assistance. The second plan provided retention of $50 of earned income, after deductions of work expenses of $50, for employed AFDC youth in AFDC families.

Accomplishments

The results of this project indicated that, if given an opportunity, heads of families will go to work even if employment does not raise them above the poverty level. It also indicated that all of the ingredients of ghetto and slum living affect the individual's ability to work, but that AFDC mothers do go to work when circumstances permit, despite obstacles. (The final report on this project is no longer available.)

3. *"Employment Incentive Demonstration"* (New York City) 5/15/67–9/30/69

New York Section 1115 demonstration No. 295, carried out in 1967 through mid-1969, tested a disregard of $85 plus 30 percent up to specified limits as a work incentive.

Accomplishments

The New York State Department of Social Services found there were some fairly substantive changes in the project from its inception such as: (1) a steady increase in the percentage of full-time employees with a concomitant increase in salary; and (2) a substantial increase in the percentage of clerical, community service, semi-skilled and skilled positions secured.

The positive changes in the types of employment were obviously a factor in the increase in earned salary. The State agency also found the demonstration had reached and helped the hardcore unemployed, and that the substantial number of cases closed due to increased earnings indicated that the employment incentive program was a stepping stone from assistance to financial independence. (The final report on this project is no longer available.)

Legislation Changes (related to numbers 1, 2, and 3 above)

The Social Security Amendments of 1967 provided AFDC recipients with an opportunity to gain work skills and to find employment under WIN. Another 1967 amendment, which in a sense was complementary, required that States disregard all of the earnings of any child receiving AFDC if the child was a full-time student or a part-time student, and also required the disregard of the first $30 a month in the family income earned other than by such a dependent child plus one-third of all additional income earned each month. In developing these amendments, staff of the Senate Finance Committee considered results of the summer projects, as well as those of the Ohio and New York projects.

4. *"Rural Home Repair"* (Kentucky) 7/1/68–6/30/73

This was a joint project participated in by the Office of Economic Opportunity, Department of Labor (Mainstream), Farm Home Administration, Department of Health, Education, and Welfare (Office of Research, Demonstrations, and Training—Section 1115 Coordination and Public Health Service) and Urban America, Inc., plus four State agencies. An ad hoc committee formed by Congressman Perkins was advisory to the project. The project had as a component, work for the unemployed. The men, all 52 years of age or older, were generally ex-miners who were trained in home repairs and worked under crew leaders to rehabilitate severely dilapidated homes in four eastern Kentucky counties. The first part of the project covered the aged, blind, and disabled, and the second part added large AFDC families. DoL Mainstream and Title V (OEO) funds were provided, as well as discretionary OEO funds,

to the Eastern Kentucky Housing Development Corporation for the cost of this labor. All workers received at least the minimum wage, fringe benefits, appropriate overtime, etc. The total wage of the primary worker in 1970 was approximately $4,327 per year. As many as 288 individuals were assigned to crews during the period of the project.

Accomplishments

During the course of the project, congressional hearings were held by the House Committee on Education and Labor. In addition, the Senate Committee on Aging followed this project very closely.

The Community Services Administration (CSA), formerly OEO, continues to fund the Eastern Kentucky Housing Development Corporation. Seven of the trained work crews have been made available by the Eastern Kentucky Housing Development Corporation to aid in the rehabilitation of homes in flood areas in Virginia, West Virginia, Kentucky, and Alabama. The program is to be expanded in FY 1977; the expansion was announced in the March 31, 1977, Code of Federal Regulations, page 12244. Twenty demonstrations totaling about $2,225 million were planned, whereas 340 applications for $58 million have been received. Also, 450 grantees across the country have copied the rehabilitation plan using Farm Home Administration loans for resources for repairs. Generally CETA slots are used for the repair crews.

5. *"Special Work Project"* (Vermont) 7/1/70–10/31/73

In the early to mid-seventies, as a consequence of welfare reform legislation pending in the U.S. Congress, the Social and Rehabilitation Service (SRS) and the Department of Labor (DoL) joined together to demonstrate certain facets proposed in welfare reform. SRS funded the Vermont Department of Public Welfare, through a Section 1115 project, which subsequently by reorganization became part of the single State umbrella agency, the Agency for Human Development. The latter established a Department of Income Maintenance and a Department of Social Services which were combined with the Department of Vocational Rehabilitation, Child Development, etc.

An actual income maintenance experiment was aborted in the early planning stages of the project and was not approved or funded by SRS. Emphasis in this paper is on the experimental and pilot demonstration of a special work project for the unemployed and for upgrading training for the "working poor" carried out by the Manpower Administration of the U.S. Department of Labor under a research and development contract with the Vermont Department of Employment Security.

The demonstration was comprised of two main sections: (1) "Special Works Project" (SWP) whereby unemployed persons, by performing work at public or private nonprofit agencies in the public interest, developed job skills to enable the project participants to obtain nonsubsidized employment (private or public). (2) "Upgrading Training" whereby low-income employed persons ("working poor") developed new job skills for which they received increased salaries.

Accomplishments

The major accomplishments were: (1) determination of requirements for administration, facilities, staff, and financing of the programs; (2) establishment of guides for determining how these programs might fit into the overall mixture of manpower programs and services at the local level; (3) development of the necessary guidelines and manuals for effectively replicating the program elsewhere; (4) research and documentation of the effect of the program on E&D manpower clients; and (5) production of monographs on salient aspects of project experience relevant to planning activities at the national level for implementation of welfare reform and/or public service employment programs.

SWP enrollees could be categorized as members of so-called "hardcore, low-income, multi-problem families" in need of comprehensive supportive services combined with work experience or vocational training. Eligibility ranged from $3,120 for a family of two on a sliding scale up to $6,120 for a family of eight. Sixty-one percent of the clients were female. While 80 percent of all clients were heads of households, approximately 96 percent of male clients were heads of household. The average client income prior to SWP was $1,165 annually ($1,940 for male clients and $689 for female clients). The average family

income was $1,941 annually for all clients. Prior to entering SWP, two-thirds of the client group had been receiving welfare assistance for an average of eighteen months. Of 657 project clients, 336, or 51.6 percent completed the project and were placed in permanent jobs. Ninety other clients, or 13.8 percent, completed training but were not placed in permanent jobs. Another 128 clients were terminated without good cause and were unable to fulfill their duties. Five hundred twenty-four clients or 80 percent either completed the program or were terminated for good cause. Only 20 percent "dropped out." Follow-ups of 30, 90, and 180 days were instituted.

Upgrading Training. The large majority of training provided involved on-the-job, specific skill-oriented training. Clients were members of the "working poor" families. Locating the "working poor" was difficult. The initial strategy was to locate the target group through employer contacts. However, these efforts proved to be relatively fruitless, since most workers, even those at lowest skill levels, were earning more than the legislative guidelines allowed for eligibility. Subsequently, the income eligibility guidelines were increased by 20 percent over the SWP levels.

6. *"Community Work Experience Program"* (California) 6/1/72–5/30/75

This was a three-year demonstration mandated by California State law and conducted by the Employment Development Department (EDD). The Secretary approved a demonstration for recipients of AFDC.[1] CWEP provided for the selection and referral of employable welfare recipients to nonpaying work assignments. Each assignment was to be a maximum of 80 hours during a given month with public or private nonprofit, nonsectarian agencies. The welfare recipients received no monetary benefits from the assignment but were not to incur any added work-related expenses because of assignment. All such expenses were to be covered by county welfare departments and the user agencies. Acceptance of CWEP assignment was a condition of eligibility for AFDC benefits.

Thirty-five California countries were mandated to participate in CWEP. Out of concern for the low level of participation in the first year, the administrators of CWEP set minimum participation levels.

Outcomes were (1) The number of individuals assigned to CWEP was not significant in comparison to either the total number of AFDC-U (fathers) and FG (mothers) cases or of those 182,735 AFDC recipients registered with EDD and available for CWEP assignment in 1974. During this year of maximum implementation, only 2.5 assignments were achieved per 1,000 AFDC cases, and only 4,760 individuals (2.6 percent) participated in CWEP assignments out of the 182,735 registrants available for CWEP participation during the year, or 0.2 of 1 percent of the AFDC-U-FG caseload participated in CWEP.

Accomplishments

CWEP as designated and implemented did not prove to be administratively feasible and practical. County participation in CWEP did not occur in all CWEP counties despite the mandate to do so. Willing cooperation and full cooperation of counties, or its absence, seemed an influential factor affecting the CWEP participation level. Full county participation was not achieved in a number of CWEP designated counties having a significant proportion of the target population. CWEP did not compete successfully with programs which were specifically funded for staffing and other expenses, such as Employment Service (ES), Work Incentive Program (WIN), and social services. In addition, the legislative mandate that all WIN "slots" be full before CWEP could be operative appeared to significantly constrain CWEP. During the three-year period the cumulative assignments were 9,627 of a potential 25,000 (approved by SRS).

7. *"Public Service Work Opportunity"* (New York) Approved 6/1/72

This section 1115 project, similar to CWEP, was approved by the Secretary. A court stay and eventual decision (*Dublino* vs. *New York State Department of Social Service*) delayed the project. After the favorable court decision,

[1] *Legal Actions.* Immediately following approval, the EDD sued the California Welfare Rights Organization (CWRO) and the CWRO sued the EDD. Nevertheless, the project continued for 3 years, and the California court eventually accepted the Supreme Court findings in *Dublino* vs. *New York State Department of Social Services* on the New York Public Work Opportunity Program (PSWOP).

i.e., that the Section 1115 project could be carried out, the State agency withdrew the project because it was found to interfere with the WIN program as amended by the Talmadge Act.

The Department of Labor nevertheless let a contract to New York University, College of Business and Public Administration, for "The Impact of the New York State Workforce Program on Employable Welfare Recipients" (Home Relief recipients—general assistance).

Like California, the N.Y. State legislature had passed legislation for workfare. We have just been informed that the New York Legislature is working on a new law for Home Relief based on the recipient working three days a week.

Policy Implications of CWEP and PSWO

Litigation related to those projects resulted in a Supreme Court decision (Dublino) which established the legality, under defined conditions, of a work requirement as a condition of eligibility. Subsequently, the State of Utah adopted a work requirement as part of its AFDC State Plan.

8. *"Emergency Employment Act Welfare Demonstration Project"* (WDP) 7/1/73–12/31/74

HEW cooperated with DoL in a group of "waiver only" section 1115 demonstrations. A "wage pool" operated from the Governor's office in New York (New York City), No. 11-P-57242; New Jersey, No. 11-P-57234; Illinois, No. 11-P-57233; and South Carolina, No. 11-P-57226. The Emergency Employment Act/Public Employment Program demonstrations and research covered other sites, but were solely the responsibility of the DoL Manpower Administration.

The WDP was the first intensive effort to create jobs in the public sector for welfare recipients and to evaluate the results.

DOL, was particularly concerned with assessing the effectiveness of its training programs and saw WDP as an opportunity to compare the job performance and employability of welfare clients enrolled in WIN programs with those not exposed to WIN. Their hypothesis was that those with manpower training would do better in WDP and be more successful in achieving transition to unsubsidized jobs than those who had not undergone such training.

HEW was interested in addressing the question of whether compulsory recruitment into jobs or training programs was preferable to voluntary recruitment. Much public pressure had built up in the previous years, in reaction to expansion of welfare in the 1960's, to reduce welfare rolls by requiring clients to work. Although evidence existed that mandatory participation had been unsuccessful in the WIN program, the issue of compulsory job referral was still active. Workfare programs had begun in California for AFDC and in New York only for home relief (see 6 and 7 above). Members of the planning group (DOL, HEW, and OEO) believed that forced work for welfare clients without pay, but as a requirement for their welfare grant, would prove less viable as a means for reducing welfare dependency than other approaches examined by WDP.

WDP was designed to be administrated differently at different sites, varying systematically along two dimensions, participant requirement (mandatory or voluntary) and level of supportive services provided participants (high or low). Revisions to the design were made during operation of the projects.

These projects were the first to use the "pool concept" to pay the salaries of project participants, which included AFDC grant payments, job and training funds and discretionary funds (now an acceptable model for supported work projects).

Accomplishments

1. *Job Creation:* State and local administrators designed over 5,000 public or quasi-public jobs that they considered useful for the hiring agency, the jobholder, and the larger community. A majority of employing agency administrators shared an affirmative view of the job's utility, and considered job performances of participants comparable with regular workers. The pay was similar to other workers at each site. Modifications to initially scheduled jobs occasionally upgraded a job, thereby creating jobs that matched the abilities and talents of the target population.

Mandatory participation of the welfare recipients at those sites so designated was a formality since there was invariably a large pool of interested

applicants, and thus there was little perceived need by local staff to oblige reluctant recipients to participate.

Supportive Services

Some women interested in work were screened out at all sites because young children at home precluded their taking jobs in the absence of child arrangements. Many were able to make child care arrangements with the help of the project; 65 percent of the participants had preschool children. Sometimes transportation was provided in WDP, but inadequate transportation to jobs in some instances prevented people from entering the program or maintaining their job once in. The chances of obtaining a WDP job, therefore, depended on the amount of available supportive services, the judgment of welfare and employment services personnel as to a person's employability, and the hiring decision of the employing agency.

The characteristics of the WDP participants revealed the outcome of the recruitment and screening process to be selective of a group considerably more disadvantaged than those who obtained jobs under the regular PEP program, but more job-ready than the overall AFDC population. Over half had a high degree of attachment to the labor force, and over half had held at least one job in the previous two years. Conversely, fewer than half had what could be considered a strong attachment to the welfare system, having been on welfare for less than two years.

Performance and Retention

Job performance was as good as regular workers. Participants found the jobs to be interesting, and not boring "make jobs." Job retention averaged 15 months. Twenty percent quit because of job dissatisfaction. Most left because the job terminated, because of illness in the family or health reasons, or because they found permanent jobs.

Transition to Unsubsidized Employment

All jobs were temporary, intended to serve as stepping stones to regular employment. Based on 1,465 jobs during a certain point of project operation, 22 percent were still in WDP, 18 percent of WDP jobs became permanent, 2 percent had different jobs in a WDP agency, 5 percent were in different public employment, 2 percent were self-employed, and 40 percent were not working (20 percent were seeking work and 20 percent were not seeking work).

The WDP transition objective was 50 percent. The assumption was that WDP approximated the goal; since of the people who had left the program, almost as many were working as were not (38 percent versus 40 percent). Almost half of the participants made a transition because the WDP job became a budget slot in some agency, whereas only 5 percent of the participants were absorbed onto their agencies' regular payrolls or other budget slots.

Participant Income

The average WDP pay was $2.94 an hour compared to $2.24 pre-WDP. On top of salary, many of the lower paid WDP participants received supplemental welfare benefits. Since more participants remained on welfare, receiving a small supplement in addition to WDP, they did not lose their Medicaid benefits. Of those obtaining jobs after WDP, 67 percent were earning more than they did on WDP or an average of $3.11 per hour. Total income probably decreased since the supplementary welfare payment ceased.

Social Experiment

WDP was clearly unsuccessful in its attempt to be a social experiment through which one could make definitive statements about the relative effectiveness of Federal manpower training programs and different recruitment procedures. The four model types foreseen by the planners, due to administrative and practical reasons, were not implemented. Consequently, outcomes cannot be attributed to model types. Nonetheless, it appears the WDP experiences indicated that public service employment for welfare recipients is a viable alternative to income maintenance.

Principles Established

The principle of pooling AFDC grant funds for the purpose of supplementing earnings was established by these projects. This principle has been employed in subsequent supported work projects.

9. *"Supported Work for Ex-Drug Addicts"*—(New York City) 8/1/72–6/30/76

This waiver-only project was carried out by Wildcat, a nonprofit organization established by the Vera Institute. The N.Y. State Department of Social Services contracted with Wildcat, which established a wage pool with Federal, State, and city welfare funds, Department of Labor funds, and LEAA funds to pay the salaries of individuals chosen to participate in the demonstration.

Accomplishments

State legislation limited to the period July 1, 1976 through June 30, 1977, permitted Home Relief (General Assistance) recipients to participate in the Wildcat Supported Work Program after it terminated as a Section 1115 project.

Additionally, a grandfathered group of SSI beneficiaries remain in the program. The N.Y. legislation permitted the waivered supported work recipients to be transferred back to Home Relief and to be diverted back to Wildcat. Legislation has now passed both Houses for two-year extension, July 1, 1977 through June 30, 1979.

Employment has reached approximately 1,100—800 ex-waivered (Home Relief) and about 300 SSI who remain grandfathered.

This particular project served as the pilot project for the "Supported Work Projects" which follow.

ONGOING AND PLANNED PROJECTS

10. *"Supported Work Projects"*

SRS has approved the following "waiver-only" supported work projects, for which (Employment and Training Administration, Office of Policy Evaluation and Research) DoL is the lead agency and the Manpower Demonstration Research Corporation (MDRC) is the nonprofit agency overseeing the projects:

State and Beginning Date

West Virginia—July 1, 1975, New Jersey—July 1, 1975, Connecticut—July 1, 1976, Massachusetts—July 1, 1976, Georgia—July 1, 1976, Illinois—February 1, 1977, Wisconsin—February 1, 1977, and California—February 15, 1977.

The projects will operate for three years. An additional site is expected to be in New York City where AFDC mothers are currently employed but are paid from a wage pool which will not have AFDC funds until the Section 1115 application has been received and approved.

Accomplishments

Monies, comprised of the AFDC grant and funds for DoL, NIDA, LEAA, and in some instances HUD, are transferred to a wage pool to pay for jobs for welfare mothers who have been on public assistance for at least three years. Participation is voluntary and the mother is eligible for supported work for 12 months, after which it is hoped her wages will be increased to an hourly rate where she will be off welfare (ineligible due to income).

Dates of the AFDC first participation with AFDC funds going into the wage pool and approval of waivers are those listed above and do not necessarily agree with dates used in the report of the 2,300 participants who had entered the supported work program through June 1976; 284 were AFDC recipients (of a projected 625); 1,165 were ex-offenders; 361 were youth and 184 were either former mental patients or ex-alcoholics.

AFDC participants had an average age of 34.1 years, whereas over 75 percent of the total participants were under 30 years of age.

Slightly more than half of all AFDC recipients live in public housing, as do 27 percent of the youth group, 18 percent of ex-offenders and 14 percent of ex-addicts.

Almost 20 percent of the total participants had never worked before supported work. Youth and AFDC women were the largest groups in that category.

An analysis showed that at the end of twelve calendar months, 26 percent of a sample of 807 participants were still in the program. The rest had either left for a job (17 percent), returned to school (29 percent), had been fired or resigned for neutral (11 percent) or negative (44 percent) reasons.

The AFDC population had high attendance rates at seven different sites for an average of 83.3 percent. MDRC found that such uniformly high perform-

ance across sites confirms the early subjective assessment by project operators that AFDC mothers are the most consistent, dependable workers of the four target groups.

Other

The research for the project is being carried out by Mathematica/Wisconsin.

11. *Work Equity—Minnesota*

DoL has provided a planning grant to Minnesota to develop a Work Equity Project (WEP). Both AFDC mothers and AFDC-UF would be in the project as well as general assistance applicants and food stamp only recipients. The plan was that a work equity program independent of CLTA and WIN would be put in place, where families needing assistance would apply. They would be offered a job at the minimum wage and would not be known as AFDC, i.e., AFDC eligibility would not be established. Participation in the project would be mandatory.

The numbers to be involved in the project have been projected as follows: Unemployment Insurance Recipients—1,000; AFDC—3,000 (about 10,000 children); and General Assistance Food Stamps—10,000.

The projections are being revised. UI recipients will be dropped because of problems with the AFL/CIO National office which objects to UI's participating even on a voluntary basis. The projection of General Assistance and Food Stamp recipients may be as high as 30,000.

12. *Job Creation and Workfare* (Massachusetts)

The Governor's Task Force prepared a report which was presented to HEW/OFRE and DoL by the Lt. Governor. A planning grant of $65,000 has been made by DoL. A nonprofit organization would develop private business opportunities to place AFDC mothers and AFDC-UF recipients. Participation in the project would be voluntary. The AFDC grant together with DoL funds would be transferred to a pool to support the wages of the working recipients. Public jobs would also be developed.

DoL is contacting EDA, SBA, LEAA, and the Community Services Administration to be part of the panel of reviewers of the project. The State is contacting the same agency for input and possible financing as one of the tasks of the planning grant.

13. *Supported Work* (Florida)

This State has submitted an application for a "waiver-only" supported work project. It is very similar to the projects being supported by HEW and DoL which are managed by the Manpower Demonstration Research Cooperation.

Finalization of the recommendation was pending clearance from CETA's Region IV office that the Section 106 CETA funds can be legally used for jobs with businesses in the private sector such as Holiday Inn, McDonald's, etc. Notification that the CETA funds could be used as proposed in the section 1115 application was received on March 11.

Nevertheless, when concurrence for the project was sought from Central Office, DoL, it was denied on April 8. The basis of denial was the legal interpretation of the use of CETA Section 106 funds for subsidized jobs in private industry. This interpretation differs from that of the DoL Regional Office.

14. *"Social and Economic Assistance Corporation"* (New Mexico)

The State agency has submitted an incomplete application. The agency has been asked to revise its application. The revised application has not yet been received but the State Administration has indicated it will be submitted after more thought has been given to its concepts and the need for a strong research evaluation component. Latest indications are that the State agency may withdraw the application.

15. *West Side Alliance* (New York City)

This nonprofit organization proposes developing alternatives to welfare. The proposal is germinating, but appears to be similar to the MDRC projects; i.e., it would use transfer payments and other pooled Federal funds for wages. The Alliance staff also envisions the provision of social services, improved housing, etc., and job creation possibilities.

16. *"Special Welfare Employment Project"* (Michigan)

The Michigan Department of Social Services wants funding for "Special Welfare Employment Project" (SWEP). The project would seek to lower

AFDC program costs through such employment stimuli as full use of CETA and incentives to employers. The proposal has been rejected by HEW because of the proposed use of the funds by employers. The State will, however, be advised that guidelines are being developed which may assist it in conceptualizing a different project for Michigan.

17. *California*

(a) California submitted a section 1115 demonstration "waiver only" project in September 1976, which would have required relaxation of the 100 hour rule and would have used CETA funding. This was a joint DoL/HEW project. DoL found the CETA money could not be legally used as proposed by the State. Consequently, this application was rejected.

(b) Currently (March 29, 1977) California has submitted two new section 1115 waiver only applications: (1) "WIN Voluntary Demonstration Project", No. 11-P-90550/9-01. This application has been submitted jointly by the Employment Development Department and the Department of Benefit Payments; and (2) "Request for Waiver of 100 Hour Rule", No. 11-P-90551/9-01. This application has been submitted only by the Department of Benefits Payment.

Both projects have worthwhile goals for demonstrating improvements in the Social Security Act. Nevertheless, a number of technical matters have been overlooked by the State and it has therefore been informed that a meeting in Washington would be advantageous. The State agreed and the meeting is being arranged. Because of the plan for the preparation of guidelines for 1115 waivers for work projects, the State principals have been informed of the pending guidelines and that they would be used in considering its applications. Staff of the DoL have reviewed the applications (which were also delivered to DoL), and have shown interest, but they likewise find a number of technicalities that need to be ironed out. DoL would also like the State to permit it to let a contract for an independent evaluation. One of the weaker presentations of each of the present applications is the evaluation component.

Senator MOYNIHAN. As you know, if we are going to report this bill out in this session, we must do so within the next 4 weeks. Hopefully we can have this information this week, as much as you can do this week.

Secretary CALIFANO. As much as we can provide to you at the end of this week.

Senator MOYNIHAN. We will understand.

Senator LONG. Let me make this clear, Mr. Secretary. Right now, we do not know precisely what you have in mind. I am glad we do not. That is good in that you are working on a program, you are seeking to finance it, you are seeking the best contribution anybody can make.

I heartily approve of all that, but now, some of these things are going to be such we are not going to know just exactly how all of this will work, and I, for one, find a lot of appeal to the idea that it would be well, on a smaller basis, perhaps on a statewide basis or on a pilot basis not just a test tube thing, but broad enough to where you can see what you are doing, how this thing would tend to work out, and if we do the kind of think that I am advocating, we can have some experience right there in the State government.

The kind of thing that I would want to avoid was what happened when we had this family asistance plan when I said look, if you think this thing is good, why do you not try it? We will give you the money to try it right here in the District of Columbia.

And the Under Secretary of HEW told me at that time that that is the last place that we will try it.

Basically I suggested that they try it here so that we could see how it works. Senator Ribicoff was on our committee at that time.

He told me that if he had been Secretary of Health, Education, and Welfare he would have jumped at the opportunity to put it into effect to see how it would work.

His theory was, if it is good enough nationwide, it is good enough to try it on Washington, D.C. where people can see what they have got. If it was not any good, he would not want to ram it down the Congress throat.

I hope that you will be more of the view that Senator Ribicoff was with regard to that. If you think it is good and you think it would work you would not object to somebody trying it, at least on a short-term basis, long enough to see whether it really works.

I am not proposing that. I am just saying that Harry Truman was not the only one who came from the show-me background. If this is going to be a drastic change from what we have, I want to see if it works. If it does, I will contribute a modest amount.

Secretary CALIFANO. Mr. Chairman, I am sure that you will be a major part of whatever legislation is ultimately crafted on welfare. You know as much about it as anyone in the Congress, you and Senator Moynihan. We have been talking to your staff. We have run a lot of demonstration projects. I hope when you look at those, you will think our proposal has a sound basis, and we are able to predict, to some degree, what will happen. It may be that the statute will ultimately be erected to you.

Senator LONG. All I am saying is that I am completely willing to be proved wrong, provided that is reciprocal, that we both have the same opportunity to look at what the other fellow has to offer. And I have discovered that sometimes the right idea comes from a completely amazing source where you would not predict it at all.

Even a blind hog finds an acorn once in a while. Let us see if we can work out something that answers the overall interests.

I appreciate your testimony and your assistance.

Senator MOYNIHAN. That is a nice note to end on. It should be noted that, among other things, this is the first time that anybody proposed to erect a statue to the Secretary of HEW.

Senator LONG. I thought the chairman of this committee was going to ask the Secretary to put $1 billion in this bill to help the States.

Senator MOYNIHAN. I was about to ask in the very same sentence, if you think an interim arrangement should be made about the work program?

I am going to propose that, as an interim measure, $1 billion be made available to States on a per expenditure basis for fiscal relief of the present welfare burden, a relief President Carter solemnly undertook to provide during the campaign. This will be listened to with great care in the State that gave him the largest votes, the State of New York.

Secretary CALIFANO. The President, as he indicated during the campaign, and in the principles that he announced on May 5, believes that fiscal relief is appropriate, initially locally and then for the States, as soon as economic conditions permit.

We do not favor the $1 billion amendment that you have proposed at this time. I would note that as a fiscal matter we do not think it is

the appropriate time to do that and 17 percent of that money will go to New York, 15 percent to California, two-thirds of it would go to those States; Illinois, Massachusetts, Michigan, New Jersey, Ohio, and Pennsylvania, they will get over two-thirds of that $1 billion. We do think that fiscal relief may not simply be something that should be done this soon.

Senator LONG. You are in a position of asking us to have the Federal Reserve print $14 billion for social security without putting any taxes on to pay for it, just to have it sit over there in the fund. We can get by without that $14 billion for the time being.

Here, you have got a solemn commitment of the President. Why not just take $1 billion of that $14 billion that you wanted to have the Federal Reserve print up, put that in there?

Secretary CALIFANO. Will you trade me $1 billion for the social security plan?

Senator LONG. If you get it approved down at the White House, we will talk about it.

Senator MOYNIHAN. One final point, Mr. Secretary, a very serious one. It is quite right that some fiscal relief pledged by the President of the United States to those on welfare, must come forward with the $1 billion. Yes; it would go, in the largest measure, to New York, California, Illinois, and Ohio because those States have chosen to be responsible about their poor and have had more of them and have had more people come to them.

I just give you the example of Puerto Ricans in my own State. If this administration is going to take the position that if you tried to do a respectable job and as a consequence you got yourself in trouble, and it is your tough luck, well, I think they ought to say it pretty openly.

I just do not like hearing that those States which have tried to deal fairly with their poor have made a mistake and it is just tough luck.

You never hear the President of the United States or the Secretary of Defense say we cannot build this bomber because most of the money would go to State X or StateY; you never hear of the legislators from New York State saying we will not support this water project because it is not in our State. We are one nation.

It is not a question of which States receive the money, but a question of which poor people need it. I do not think you intended to introduce this question in quite the way that it will appear in the record. I will be happy to hear you say it otherwise.

Secretary CALIFANO. Let me make a couple of comments. One, we are, and the President is, committed to provide fiscal relief, initially locally and then to the States, as soon as economic conditions permit, which is what he said during the campaign and repeated early this year.

Senator MOYNIHAN. I did not hear anything about "economic conditions permitting" in the statement he made in the State of New York. Those are not the statements that the President made. I was standing on the platform with him.

Secretary CALIFANO. I think the major, most formal commitment was made in an exchange of letters, as I recall, with Mayor Beame

which indicates, which has the proviso, "as soon as economic conditions permit."

There is another point. I would underline the point that you recognize, to make sure everybody in the room recognizes, which is the focus on local relief first, obviously, directed among other things at the large cities, particularly New York City and Los Angeles, and New York and California, as the recognition of the problem there.

The other thing I recognize is that there are very high error rates of this AFDC system in States around the union. I do not think the question of fiscal relief should be dealt with totally independent of those error rates.

For example, in New York, 8.1 percent of the people in the last 6 months of 1976 that were receiving welfare payments were ineligible; another 17 percent were overpaid. We have even higher error rates in many other States.

But most emphatically, Mr. Chairman, by the fact of the emphasis of the President, the priority the President gave during the campaign and in the statement of his principles on May 5 to local relief, as distinguished from State relief, he was recognizing that many of the great cities of this Nation, like New York and Los Angeles, have, indeed, been generous and compassionate with their poor.

I would only add to that that we have to make sure that it is the poor we are serving and the eligible we are serving.

Senator LONG. Mr. Secretary, I was not particularly pleased with the President making all of those commitments to those people up there in New York. I was more interested in Louisiana. But it seemed to me when he said "local relief," New York City was the number one place he was talking about, because that was the city that had the most distress financially, and that is what I read from that statement, that there would be relief in that area.

I heartily approve of New York tightening up on their program where errors exist, and things of that sort, so much so that I told Mayor Beame that I would be willing to support an amendment insofar as they could tighten up on those rolls, and that is politically possible, you know, up there, insofar as they could, whatever they could save by finding someone who is ineligible, they could keep the whole thing, keep whatever they could save on it.

Would you have any objection to that?

Secretary CALIFANO. You have mentioned that to me in the past, Mr. Chairman. I think that we, at the present time, would not favor that, but I would like more time to think about that. One of the problems is that there is a very high error rate there. New York City has 8.1 percent of ineligible people, payments made to ineligible people, the nationwide average is 5.3 percent; 17.8 percent of the welfare load in New York City was overpaid during the last 6 months. In 1976, the nationwide average was 13.1 percent. I would certainly like to drive things down a little further before making a point of commitment that you are talking about. We think that there is room to drive it down. We are getting some of the errors out, and we are working with the States and the cities in trying to do that.

Senator MOYNIHAN. Mr. Secretary, let me just close by saying that I have here Governor Carter's letter to Mayor Beame of May 25, 1976. I do not see in it any statement about "as soon as economic conditions permit."

Let us not quibble about it. Maybe it is in here. I have not found it.

Secretary CALIFANO. I do not have the letter in front of me.

Senator MOYNIHAN. I have it. I have read it an awful lot of times. Let me just say, when he says,

Local governments should not be burdened with the costs of welfare, he also proposed that a fair and uniform standard of payment be implemented.

Then he does say,

My concept of substantial funding by the Federal Government, would include as soon as possible a Federal assumption of the local government's share and a phased reduction of the State's share. As soon as possible.

It is in there. I assumed he meant as soon as he got to be President!

One last point. The statement that 8.1 percent of the recipients in New York City are ineligible and 17.8 percent are overpaid is an accurate statement and it is an outrage. It is a disgrace. My city and State have got to come to this Congress with clean hands. If they cannot do better than that, they cannot expect relief. I share your view completely. The mayor has got to face the fact that the city is not working as it should.

On the other hand, if you go to national averages, you would still find a burden on that city. The Nation's largest city, has assumed a burden which is beyond its capacity to sustain. It has assumed a national burden; there has to be a national response.

That is what the President has pledged. That he is going to keep that pledge, we have no doubt in this committee.

I, sir, would like to thank you for coming forward with an intelligent, hopeful proposal about a serious matter. I thank Miss Martinez and Mr. Cardwell. You have been very welcome here. We look forward to your early return.

Secretary CALIFANO. Thank you very much, Mr. Chairman.

[The questions submitted to Secretary Califano and his responses and the prepared statement of Secretary Califano follow. Oral testimony continues on p 118.]

QUESTIONS SUBMITTED TO SECRETARY CALIFANO BY THE COMMITTEE AND HIS RESPONSES TO THEM

Question 1. Your proposal, like the House bill, would convert the child welfare services program to a $266 million entitlement. However, you would not make this funding available in full until future years. I can understand why you would want to defer the funding until a State shows that it has developed the administrative capability to properly use it, but why not make the full funding immediately available (in fiscal 1978) for those States which can meet that condition?

Answer. Full funding would be available after FY 1978 for those States which meet the conditions. We do not believe any State would qualify prior to FY 1979.

Question 2. The allocation formula for child welfare services takes into account State per capita income as well as child population. The per capita element is usually incorporated because States with low income levels have difficulty raising the necessary matching funds. However, since all States have more than enough expenditures to match their full share anyway, wouldn't it be appropriate to distribute these funds strictly on the basis of eligible child population?

Answer. The present allocation formula is familiar to States and has worked well. Before a change in the formula is made, the reasons behind and the rationale for the change must be evaluated. Since the ability of the States to match under the present formula is not at issue, we do not see a compelling reason to change. Nor do we see another formula as significantly better than the present allocation formula.

We wish to point out that the per capita element in relation to State allocation relates to the amount of money a State may receive under the program. Thus, use of the per capita element assures a relatively higher allocation to low income States.

Question 3. Are you satisfied with the social welfare management systems in place at the State and local levels? Do we really know what will happen with any additional child welfare money and how it will be spent? What criteria are you proposing to appraise its effectiveness and impact over the next five years?

Answer. We are *not* satisfied with the social welfare management system in place at the State and local levels. Conditions for receipt of the full entitlement of child welfare money will require targeting expenditures on systems development, due process requirements, and provision of preventive and reunification services. We will be working jointly with States to help them develop these improved systems. Reports will be obtained from States for the purpose of monitoring and evaluating their programs. Additional studies to appraise effectiveness and impact may also be undertaken.

Question 4. Mr. Secretary, you are proposing to place a "cap" on future funds available for foster care and adoption subsidies, a program which is now an open-ended entitlement. I understand that your proposal would employ the Fiscal 1979 expenditures as a baseline, and permit several annual increases of 10 percent above that level. Would you first explain your reasoning in choosing to put any sort of cap on a program of direct benefits to individuals, as opposed to social services. Would you also explain your reasoning in selecting a future year's outlays as the baseline. Does this not invite States and agencies to inflate their 1979 figures to the greatest extent possible?

Answer. First, the purpose of the cap is to refocus the program of foster care maintenance payments. The new focus will be away from increased use (and mis-use) of foster care placements. Imposition of the cap will permit reprogramming the unused maintenance funds under title IV-E toward provision of preventive/reunification services under IV-B within improved State management systems. Other incentives such as increasing the IV-B allotment and disincentives such as reduced Federal matching for foster care payments under certain conditions are provided to reinforce the new focus.

Second, although we recognize there is potential for inflated State expenditures in setting a future year's outlay (FY 1978) as the baseline, we believe States must have an opportunity to adjust to the changes in the new program before a realistic cap is instituted.

Question 5. Does your proposed "cap" apply to actual outlays or does it apply to State reimbursement claims as of fiscal 1979? Please explain the rationale for your choice in this respect?

Answer. The cap would apply to all legitimate State expenditures chargeable to FY '79. This is the best way we know to assure equity among the States when the cap is instituted.

Question 7. Mr. Secretary, when the AFDC foster care program was first created it was thought to be important to protect children from improper removal from their homes by social workers, and that is why the requirement for judicial determination was written into the law. Do you see any danger that we will open up the possibility of coercion of AFDC families if we eliminate the judicial determination requirements? In other words, are we saying, in effect: "Give up your children voluntarily so that you can avoid us taking you to court?"

Answer. The Administration proposal does not eliminate the requirement for a judicial determination. However, we do not agree that making the opportunity of voluntary placement available to AFDC families, as it is now available to other families, constitutes a danger so long as specific due process procedures are required in any foster care placement (such as those contained in the administration proposal). Such a system also needs adequate numbers of trained staff and supporting administrative procedures.

Question 9. The House bill would allow Federal funding for the first time of foster care provided through the AFDC program to a child in a public institution provided that the institution served no more than 25 children. Isn't 25 a rather large number of children to be considered as a "group home"? Why has Federal law up until now prohibited funding in public institutions and why is it desirable to change that policy now?

Answer. The Administration proposal will allow Federal funding for a child placed in a public institution caring for no more than 25 children. Many group homes are in the 16 to 25 child range.

In the past, Federal law has prohibited the funding of public institutions—e.g., mental hospitals, prisons, foster care institutions, etc., because these activities were considered to be inherent State responsibilities. Thus, refinancing through Federal funds was avoided.

A change is now desirable to encourage the growth and utilization of the benefits of these small group facilities, irrespective of auspices, as appropriate alternatives to institutional care. Recently, for example, we have seen counties and other local jurisdictions establish such small group facilities for teens unable to live at home or who have been released from correctional institutions, or for the mentally retarded or mentally disabled.

Present legislation permits funding for such facilities under private auspices. We do not wish to discourage the trend toward development of such facilities for lack of availability of Federal support in the care of otherwise eligible individuals.

In addition, it is our understanding from testimony in the House on HR 7200, that in some cities, there are few private group homes which serve as few as 25 children. In order to keep children near the families and communities, HEW supports FFP in small public institutions.

Question 10. Do you expect to permit subsidies for single individuals wishing to adopt children? Who is to determine the suitability of prospective adoptive parents?

Answer. There is no prohibition against subsidies for single individuals wishing to adopt children. States will make the decisions concerning the suitability of prospective adoptive parents.

Question 11. What exactly do we know about the experiences of States which have tried adoption subsidy programs on their own? How many additional children have been adopted? How much foster care money has been saved?

Answer. Eighteen States have provided data on their programs of subsidized adoptions for the years 1974 through 1976. Regarding the total number of children placed in subsidized adoption: *Total number and year:* 1,400—1974; 2,400—1975; and 2,700—1976. This represents a proportional increase from 1975 to 1976 of 9% in subsidized adoptive placements in these States.

Approximately 90% of the adoptive parents had been foster parents. Regarding how much foster care money has been saved, this was not reported. This is a matter which varies from State to State and depends on the nature of and specific amount of the subsidy in relation to the foster care maintenance payment. For example, in one State the subsidy lasts only 5 years; in another it may continue indefinitely based on need. In one State the maintenance subsidy may equal the foster care maintenance payment while in another it may be less. Subsidies are also for medical expenses, legal costs, etc. State laws vary so widely that there is difficulty in generalizing from or cumulating the data.

Question 12. Is it not possible that this money will be used, much as it is alleged foster care benefits are now used, to stimulate the adoption of children when that may not be the best solution for them, when, for example, they might be reunited with the natural parents? How should children be protected under an adoption subsidy program?

Answer. This is a serious question and of concern to the Administration. First, we believe that the Administration proposal contains incentives and procedural safeguards which will protect children. Specifically, States must establish due process procedures to protect the child, the natural parents, and the foster parents in all placement decisions. Also, targeting of 40% of the additional money on preventive/and reunification services offers States incentives to returning the child to his natural parents before adoption is considered.

However, these procedural safeguards and increased services require sufficient skilled personnel to assure the objectives. In this area, the Department will be working with States to encourage necessary training. At the Federal level, the Department can also focus Federal child welfare training efforts, technical assistance, and monitoring efforts towards protection of children in this regard.

Question 13. Mr. Secretary, can you give us a "statistical profile" of the children you are proposing to have adopted, i.e., the children in foster care who now receive AFDC/FC and Medicaid assistance? What do we know about their age, their health, their racial or ethnic background and other characteristics that may affect their adoptability? What portion of them do you estimate will be adopted if these new subsidies are permitted?

Answer. Nationally, there are 111,000 children receiving AFDC in the foster care segment of the program. Data which describe the characteristics of these children are not available.

We have estimated that, of all children in foster care, whether or not they are receiving AFDC, approximately 90,000 are potentially eligible for adoption.

We do not have good data on the number of AFDC children who might be adopted with a Federal subsidy. Our best guess, however, is that approximately 10 to 15 percent of the 115,000 children might be judged as having special needs, freed for adoption and finally adopted. To give you a profile of the hard-to-adopt child, here are data from two States with adoption subsidy programs.

In New York State.—3,200 children are receiving an adoption subsidy at an average cost of $2,000/year: ¾ of the children are over age 6; the average length of time in foster care before adoption was 7 years; 40% are 6 years and older and suffer a handicap; and 20% of the children belong in sibling groups. One-half of the adopting parents receiving a subsidy has gross annual incomes under $11,000. Thirteen percent have incomes over $16,000.

In Pennsylvania.—Of the children placed in subsidized adoption: 85% were over age 5 at time of placement in adoption; 35% were over age 5 and belonged to a minority group; and 40 percent were handicapped.

Question 14. Your proposal suggests that once an adoption subsidy is made available, it shall continue until the child attains majority so long as the family continues to meet an income test. It is one thing to say that lasting physical handicaps should continue to be eased through Medicaid but quite another to say that the combination of low (or moderate) parental income and adoptive status call for a long-term subsidy. Does this not set up a lasting distinction between the adopted child and the other children of the same parents and thus tend to violate the basic understanding this society has about adoption, which is that a child, once adopted, is a full and complete member of his new family, entitled only to those public benefits that his parents and siblings are entitled to?

Answer. We do not agree that an adoption subsidy sets up a "lasting distinction" between the adopted child and other children of the same parents. In our view, a decision to adopt a child, to increase the size of the family, is a family matter. If a subsidy of any kind is needed, it does not attach itself to the child, setting him apart from his siblings. Instead, the money enters the "common pot" of total family income. We see an obvious parallel here between the adoption subsidy and a child support payment for children of divorced parents.

Question 15. What can you tell us about the present uses of Federal child welfare services funds? Where do they end up, in public or private agencies? What sorts of services do they sustain? Could you cite and give a brief summary of any studies which evaluate the effectiveness of these services?

Answer. Because of the voluntary nature of State reporting on this program, our data is limited.

However, the Social Services Reporting Requirements (SSRR) under title XX is being used to collect information on the child welfare services program. For the quarter ending March 1976, States reported in the SSRR that they currently served 63,609 children with IV–B funds.

Among the services provided with Federal child welfare funds are: protective services, homemaker services, health related services, family counseling, emergency shelter for children, and child day care. Some States, however, use these funds entirely for training child welfare services staff and/or for special projects.

Studies as well as demonstration projects indicate that providing preventive services does contribute to keeping children with their families and out of foster care placement and that delivering restorative services does help reunite children in foster care with their families.

One study, Second Chance for Children, concluded after evaluating a demonstration project that provision of preventive services can significantly reduce the entrance of children into the foster care system. Demonstrating similar outcomes was a 24 hour Comprehensive Emergency Services Program in Nashville, Tennessee. As part of a network of city organizations, including the police and courts, the social services agency provide emergency services to keep children with their families rather than in foster care placement. Services included homemaker services, counseling, etc. to help the family over the crisis.

A project in Oregon, Freeing Children for Permanent Placement, demonstrated that providing resources both to help child welfare workers to deliver counseling and other supportive services and to arrange for a wide variety of other services helped children in foster care return to their biological families.

Question 16. The Department has never come close to full implementation of the requirement in the SSI law that payments to addicts and alcoholics be made to a third party. We know, however, that there are addicts and alcoholics who are incapable of handling their own funds and who find themselves destitute a few days after their SSI monthly checks are received. How do Social Security district offices handle this situation? Do they take responsibility for helping these individuals, who are really in trouble because of SSA's failure to perform its job? What kinds of help can they give?

Answer. Contacts with the disability insurance regional offices having the highest numbers of drug addicts and alcoholics on the SSI rolls (New York and San Francisco) reveal that the local district offices have rarely received complaints of destitute addicts or alcoholics. Contact with six of the largest district offices in the New York region revealed that five out of six have never had any inquiries in this regard and the sixth district office states that on rare past occasions when a recipient has alleged destitution following receipt of his SSI check, he has been referred to the local welfare agency, when appropriate. It is our general policy for the district offices to refer people to appropriate State agencies for assistance that we are unable to provide. The district offices indicate that it is more frequent that a recipient alleges nonreceipt of a check than that he is destitute after having received his check. This situation, however, occurs with all SSI recipients, not just drug addicts and alcoholics. (If the issuance of a check via the nonreceipt procedures results in a duplicate payment, this information is entered in SSA's records and recovery action is taken.)

If because of youth or incapacity, the recipient is unable to manage his own benefits, whether or not he is a drug addict or alcoholic, a representative payee will be selected. The issue of capability does not often arise with the universe of SSI cases identified as medically determined drug addicts and alcoholics. This is largely because the drug addict or alcoholic is required by law to receive his payment through a third party without regard to whether or not he is in fact capable of handling his funds. Therefore, the issue of capability is not generally pursued in the case of a medically determined drug addict or alcoholic (even if he is receiving direct payment on an interim basis).

Question 17. A provision of H.R. 7200 which you support would enable the Department to rule that any gift or inheritance that is not readily convertible to cash would not be counted as income in determining whether an individual is eligible for SSI. Do you think any kind of limits should be placed on that general authority? How would you handle, for example, a gift of a month's supply of food? Or a gift of free housing? What kind of policy problems do you foresee in this area, if any?

Answer. The Secretary would establish by regulations what kinds of gifts and inheritances would come within the scope of the exception provided. We believe that under regulations, the term "gifts and inheritances which are not readily convertible to cash," should be defined so that shelter and food which can be used directly by the recipient to meet his basic needs would not be excluded from income. A contribution of a month's supply of food or of free housing (e.g., rent-free accommodations in property owned by another person)

would continue to constitute support and maintenance in kind and would not be gifts to be excluded from income under the provision in the bill.

Gifts and inheritances excluded from income under the provision would, if retained, become resources at the beginning of the accounting period following the period of receipt. Some such resources (e.g., a home in which the recipient resides and household goods and personal effects not exceeding reasonable value) would be excluded under the resource provisions in the law. If property that cannot be excluded would, when added to other resources owned by the recipient, cause the total to exceed the resources limitation, the recipient could request consideration under section 1613(b) of title XVI which permits conditional SSI payments for current needs pending the sale of the resources, with subsequent recovery of any overpayment from the proceeds of the sale. (The application of this conditional payment provision is limited, by regulations, to situations in which the applicant or recipient has very little in cash reserves, and to situations in which resources are of relatively low value in order to avoid paying SSI benefits, even temporarily, to people with excessively valuable nonexcluded resources on which they could be expected, if they needed cash, to borrow against the value of the resources. Present limits on the resources subject to this provision are, under the regulations, $3,000 for an individual and $4,500 for a couple.)

We do not believe that establishing reasonable policies for application of the provision would present problems.

Question 18. At the present time the Social Security Administration can make a $100 one-time payment to an individual who is considered likely to meet the eligibility requirements for SSI and who is facing an emergency. H.R. 7200 seems to provide a very great expansion of this provision, to allow SSA to make payments equaling what the individual would be eligible to receive over a period of 3 months. You have indicated no opposition, but state that you intend to apply the provision only in exceptional cases under your present criteria. Would you describe those criteria and explain what would constitute exceptional circumstances?

Answer. An advance payment is made under current rules if the individual presents strong evidence of the likelihood of meeting the income and resources tests of eligibility, categorical eligibility (age, disability, or blindness) and technical eligibility (U.S. residency and citizenship or legal alien status), and if the individual is faced with a financial emergency (insufficient income or resources to meet an immediate threat to health or safety such as the lack of food, clothing, shelter, or medical care).

We would apply the provision in any case in which the above criteria are met. Although the proposal seems to presume that an individual may be presumptively eligible—i.e., a final determination remains pending—for several months, such a delay in adjudication is not likely to be the case. We would consider it to be an exceptional case in which a presumption of eligibility would be in effect for as long as 3 months.

Question 19. The House bill would not count as income anything an SSI recipient gets from a nonprofit organization. Does this mean that a person receiving, say, $500 a month from some foundation would be eligible for full SSI plus State supplement, plus Medicaid entitlement? Why is such an income exclusion necessary?

Answer. The exclusion would be limited to assistance based on need provided by private, nonprofit charities. It would not apply if a charity undertook an express obligation to provide full support and maintenance without any current or future payment therefor. An SSI recipient receiving such assistance who has no other countable income could be eligible for a full SSI benefit and State supplement. He would be eligible for Medicaid if the State in which he lives has established that SSI eligibility criteria would determine Medicaid eligibility in that State.

Under present law, support and maintenance is excluded from income if it is provided by private nonprofit charities toward the cost of care of recipients living in private, nonprofit residential facilities. Assistance provided by such charities to or on behalf of recipients in any other living arrangement is counted. The provision in H.R. 7200 would eliminate the distinction in the treatment of assistance from private nonprofit charities that is based upon whether the recipient lives in a certain kind of facility. The removal of this distinction would enhance public understanding of the SSI program and make

available to SSI recipients a potentially valuable source of nonpublic assistance. (Currently, nonprofit charities may be reluctant to spend funds that do not supplement a person's income but merely replace Federal dollars.) Also, SSI recipients would realize more equitable treatment relative to other low income persons who derive benefits from private charities.

Question 20. The House bill provides for and you oppose automatic cost-of-living increases in the $25 personal needs payments made to SSI recipients who are institutionalized. This would provide an increase this year of $1.50. Do you have any information as to whether the $25 amount is adequate for most recipients? If not, what plans do you have to develop that information?

Answer. In 1974, SSA contracted with Applied Management Sciences to do a survey of institutionalized SSI recipients to measure the impact of the SSI program on long-term care under Medicaid. The study was conducted in California, Illinois, Texas, Massachusetts, Pennsylvania, Georgia, and Florida. The study found that both SSI and non-SSI patients in these institutions spend "approximately $8 per week for 'extras' while their families or friends pay for another $5 worth of items."

The report adds "It should be remembered however, that costs are difficult to estimate and that these amounts are likely to be overstated. . . . The perception of deprivation among residents can give an indication of the inadequacy of the SSI benefit. In considering this perceiver deprivation, it was found that less than half of all residents feel they're deprived of items because they cannot afford them. . . . The items most often reported as unaffordable if desired are clothing/shoes . . . next in importance are repair/replacement of glasses, hearing aids, dentures, etc. . . . it is interesting to note that these two categories of items are also among those least likely to be available at the facility. This may contribute to the feeling (that these items are inaccessible)."

In other material submitted on H.R. 7200 we indicated that changes in the Consumer Price Index (which would trigger the increase under this proposal) are largely caused by increases in the cost of food, shelter, and medical care. Since Medicaid benefits cover these expenses for the recipients involved, we do not believe that an automatic cost-of-living increase in the $25 SSI standard is necessarily warranted.

Question 21. The House bill continues the full SSI payment to a person in a Medicaid institution until he has been there for 3 entire months. Can you tell us something about the extent to which this really targets money on individuals who need extra funding to maintain homes outside the institution?

Answer. A cutoff of the SSI payment, upon entering a Medicaid institution for even a short period, may make it financially impossible for persons to maintain and therefore, return to their homes. While we have no estimates of the fraction who will be assisted by this provision, the fact that more than 80 percent of the people moving into a Medicaid institution come from their "own household" suggests that the provision may be target efficient.

Question 22. H.R. 7200 requires alien applicants for SSI to count the income and resources of their sponsors in applying for benefits. You indicate support for this provision although you characterize it as less than ideal. What would be your preferred solution to this problem?

Answer. In our view, a solution to the problem of public support of aliens shortly after their entry into the country should come from a carefully coordinated effort to revise policies, and possibly laws, to relate the conditions under which we permit aliens to remain in the country to the conditions under which we permitted them to enter. Methods should be found to give rational and effective meanings to the pledges given by immigrating aliens and their sponsors. This might best be achieved by changes in immigration policies, or by statutory provisions giving legally binding force to sponsors' pledges so that aliens would have a legal right to the support that was promised.

We believe that the provision in H.R. 7200 has some shortcomings. The deeming of income and resources is a time-consuming, administratively complex procedure which has proven difficult for both agency employees and recipients to understand. The deeming process may be even more complex for aliens, since an alien's sponsor may live in another household or even in a distant location. The deeming of a sponsor's income and resources to an alien would result in excluding some aliens from the SSI program. However, a sponsor who refuses to furnish information regarding his income and resources would,

by his lack of cooperation, cause the alien to be ineligible for actions beyond the alien's control. Also, a sponsor who has substantial means may cause the alien to be ineligible for SSI benefits even though the sponsor may not actually provide support and maintenance for the alien. People denied SSI benefits in such circumstances would be left to rely on whatever State and local assistance programs are available to them, with the burden of the cost of such assistance falling on State and local governments.

Question 23. H.R. 7200 includes provisions allowing SSI payments to certain persons hospitalized outside the United States. How many individuals do you estimate would be eligible under these provisions in fiscal year 1978?

Answer. Under present law, SSI benefits are suspended in the case of an individual who is out of the United States for more than 30 days. We do know that the benefits of approximately 500 people per month are suspended because of absence from the United States for more than 30 days. While we do not know what proportion of the 500 are hospitalized, it seems reasonable to assume that most of the 6,000 SSI recipients a year who leave the United States for a period long enough to cause suspension of benefits do so for reasons other than emergency hospitalization or hospitalization in a foreign hospital that is more accessible to their homes (in the United States) than a domestic hospital. Thus, very few should continue to receive benefits as a result of this provision.

Question 24. The House bill would spend close to $200 million per year on new benefits for the territories. Is it correct that about 70 percent of the population of Puerto Rico now is on the food stamp program? Can you tell us what proportion of the aged population there would be getting SSI under the House bill?

Answer. According to food stamp program statistics there are approximately 1.5 million food stamp recipients in Puerto Rico. The Puerto Rican population is estimated to be about 3 million. Thus, approximately 50 percent of the Puerto Rican population is receiving food stamps.

We estimate that there will be 225,000 to 265,000 people over 65 in Puerto Rico in 1978. We further estimate that about 40 percent of the aged population will be eligible for an SSI benefit under the provision in H.R. 7200.

Question 25. Would you tell us which States have not furnished HEW the amount of child support collections and expenditures for AFDC and non-AFDC cases for the period prior to September 30, 1976? What has HEW done to obtain this information?

Answer. All States (including the District of Columbia, Guam, Puerto Rico, and the Virgin Islands) have reported AFDC collections and expenditures for the period prior to September 30, 1976.

The following States have not reported non-AFDC collections for the period prior to September 30, 1976: Alaska, Florida, Hawaii, Kansas, Maine, Maryland, Nebraska, New Jersey, New York, Ohio, Oklahoma, Rhode Island, Virginia, and Guam.

The following States were not able to report non-AFDC expenditures separately from total expenditures for the period prior to September 30, 1976: California, Colorado, Connecticut, Delaware, Louisiana, Maryland, New Jersey, North Carolina, Ohio, Oregon, Pennsylvania, Rhode Island, South Dakota, Tennessee, Texas, Wisconsin, Guam, and the Virgin Islands. All other States either reported non-AFDC expenditures separately or had no such expenditures to report.

Since non-AFDC collections and expenditures do not affect a State's eligibility for Federal financial participation, there is very little action the Department can take to force States to report these data under existing law. However, we have been working very closely with the States to impress upon them the importance of reporting these data and to improve their ability to report. Our success is evidenced by the fact that since September 30, 1976, only 5 States (Hawaii, Maryland, New Jersey, New York, and Rhode Island) are still not able to report non-AFDC collections and only 13 States (Delaware, the District of Columbia, Georgia, Louisiana, Maryland, New Jersey, North Carolina, Ohio, Oregon, Rhode Island, Tennessee, Texas, and Wisconsin) are not able to report non-AFDC expenditures.

Question 26. Since child welfare services funds can be used for adoptions subsidies, why shouldn't we just provide the increase in funding under that program rather than introducing this new adoption subsidy element in the AFDC–Foster Care program?

Answer. The child welfare services program has traditionally been a *services* program stressing services to any vulnerable child in need. Placing adoption subsidies in a new title with foster care maintenance joins two maintenance-related areas. This is a logical separation of maintenance and services programs. Such organizational separation will strengthen efforts at cost control in the maintenance area and reinforce efforts at program redirection in the services area.

PREPARED STATEMENT OF JOSEPH A. CALIFANO, JR., SECRETARY, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Mr. Chairman and Members of the Subcommittee: I appreciate the opportunity to testify before this distinguished Subcommittee as it begins hearings on H.R. 7200, the Public Assistance Amendments of 1977.

I would like to focus this morning on a series of related problems—foster care, adoption and child welfare services—that are at the core of our nation's commitment to social justice and the American family.

One inexorable conclusion to which our six-month study of the welfare system has led is this: The system is viciously anti-family. The most publicized anti-family provision in welfare is the so-called man in the house rule—the rule that sets benefit eligibility so that the best way a man with wife and children living in poverty can enhance his family's well-being is to leave them.

But at least as cruel is the way the child welfare benefits are skewed:

They provide every incentive to keep parentless children in institutions.

They provide virtually no incentive to improve those institutions.

They provide every disincentive to placing the child securely in an adoptive family. Indeed, whenever a foster parent loves a child living in their home enough to want to adopt that child, this nation has devised a system of welfare payments that says: at the moment of adoption—the moment when that family wishes to express its love most deeply and significantly—we will cut off payments.

As you know, during the fall election campaign, President Carter promised the American people that, if elected, his Administration would give special emphasis to policies and programs that strengthen and support the family. The President recognized that families are America's most precious resource and most important institution; he recognized that they have the most fundamental, powerful and lasting influence on our lives.

The President is concerned that his Administration should not only propose programs to aid the family but also re-examine and reform existing policies that harm rather than help maintain stable, supportive family units.

The proposal the Administration presents today is another demonstration that the President will keep his campaign pledge, for no area of national policy has done more to fragment families and is more in need of reform than our State and Federal child welfare programs. Misguided government policies in child welfare push literally tens of thousands of our children down the road to broken, wasted lives.

This basic fact has been recognized by many far-sighted leaders in both Houses of Congress. And the proposal which I have the privilege of presenting to you today is heavily indebted to the thoughtful, constructive legislation developed by the House Ways and Means Committee and the Senate Human Resources Committee.

The Congress knows well that: far too many of this nation's children are adrift in inappropriate foster care homes and foster care institutions across the land; adoption services do not work adequately to find a supportive family environment for far too many of this nation's vulnerable, deserving children; and our child welfare services do not work effectively because they fail to keep many troubled families in this nation united.

The Administration initiative, building on superb work already done in the Congress, will begin the vital task of protecting thousands of American children who are, unfortunately, at severe risk under present foster care, adoption and child welfare programs.

THE PROBLEM

If we are to fashion a humane and meaningful family policy for America, then we must begin with the foster care system.

It is a system that places 350,000 children—but too often places them in improper conditions:

Most children are placed in foster care due to parental inability to provide necessary care, to parental neglect or abuse, to parents' abandonment or desertion, or to parents' illness or disability.

Tens of thousands of these children are placed in inappropriate, often unfeeling, institutions, ranging from group homes to large and impersonal "warehouses".

Although foster care placements are intended to be temporary, children often remain for long periods. Fifty percent stay in foster care two or more years; twenty-six percent have been in foster care more than 5 years; 12 percent remain more than 10 years.

Moreover, children are forced to change foster homes on an average of two or three times.

Many children spend their early years—the years in which the personality is often formed—in foster care. About half of the children in the system are under twelve years old.

Although there are thousands of loving foster parents who provide priceless affection and support to children, studies by the Executive Branch, Committees of Congress, and private child welfare organizations have uniformly reached alarming conclusions concerning the low quality of the foster care systems. These are complex matters and I do not mean to suggest that we have all the answers. Novertheless, these findings are disturbing and have important policy implications:

States allocate relatively few dollars to services to stabilize families and prevent the family brea't-ups which push children into foster care. Although many children in foster care could have remained in their own homes if relatively simple services—such as homemaker and day care—had been available, few of these services are offered.

Children are often placed in foster care with the intention that their stay be temporary, but without planning for future placements or without adequate follow-up to implement proper plans.

Too frequently few efforts are made to reunify children with the natural family or to seek adoption.

Social worker caseloads are often intolerably heavy, making individualized attention to foster care children very difficult.

State systems often lack the information bases and monitoring capacity to review systematically the individual needs of all the children in State foster care.

States often do not afford due process to the children or families enmeshed in the system.

One way out of this morass would be to place these children for permanent adoption. Indeed, more than 40 States have tried to encourage adoption by enacting subsidy laws. Yet these programs do not reach most of the hard-to-place children in foster care:

An estimated 90–120,000 foster care children with special needs—minority children, physically handicapped children, mentally disturbed children—are, or should be, legally free for adoption, but remain mired in foster care nonetheless.

The individualized services needed to place such children for adoption are simply too costly for States to provide on an adequate scale.

I wish that I could report that the Federal Government has responded adequately to these appalling conditions. Instead, however, we have, in a real sense, been a major part of the problem.

Although foster care has traditionally been a State responsibility, there are two Federal programs which deal directly with children in, and at risk of, foster care. Title XX and Medicaid do, of course, channel additional funds to children in foster care. One of them—the AFDC Foster Care program—is a classic example of a perverse incentive system creating an anti-family policy:

AFDC–Foster Care spends $171 million a year to contribute to the room and board of AFDC children in oster care settings. Not one penny of this money may go for services designed to avoid unnecessary removal of children from their homes or to reunify families.

AFDC–Foster Care payments cease as soon as a child is adopted. Since foster parents, who now account for 90 percent of State-subsidized adoptions, are faced with the prospect of forfeiting both AFDC and (in many states) Medicaid payments if they adopt their foster child, the obvious effect is to

discourage many adoptions. This is theater-of-the-absurd government policy. Loving foster parents cannot adopt their foster child—and thereby provide that child with the kind of stable home environment so important to a child's growth and development—without the government imposing severe financial penalties.

The other special Federal program in this area—Title IV-B child welfare services—simply reinforces these patterns. Little of the Federal money is used to improve the State systems which administer foster care payments.

PROGRAM GOALS

This Administration is deeply committed to transforming Federal child welfare policy from being a part of a severe problem that plagues children and family life to being part of a solution that promotes child development in a stable family setting. Our proposal is designed to attain four fundamental goals of sound child welfare policy:

Comprehensive care.—Legislation should address all aspects of the problems created when children face or experience removal from their families: prevention, reunification, other necessary social services to child and family; and, as appropriate, subsidized adoption payments and foster care maintenance payments. Maintenance payments, Medicaid benefits, and social services to the child should be closely linked to one another.

Flexibility for the States.—Child welfare programs are, and should remain, essentially a State responsibility. We ought to build on this foundation of State responsibility, expertise, and diversity, rather than attempting to impose uniform regulatory solutions from Washington.

Proper use of Fiscal incentives to encourage State reform.—In seeking to induce States to reform their child welfare systems, the Federal Government should offer incentives rather than simply impose sanctions. All too often, we have laid detailed requirements on the States without providing the resources required to implement those requirements. Improving the child welfare system through incentives will be an excellent investment, but it is not likely to work unless we are willing to offer incentives that will really help states pay the bill.

Fiscal responsibility.—It is not enough, however, to decide that child welfare is a good investment; we must also decide how quickly to make it. In doing so, we must bear several facts in mind: there are strong competing claims on a severely constrained Federal budget; the States must bear their share of the responsibility; and large and rapid infusions of new money into a deficient and unresponsive system are almost invariably wasted.

THE ADMINISTRATION PROPOSAL

Consistent with these objectives, President Carter's family-oriented child welfare initiative has two major components: (1) reform of the existing foster care payment authority and its expansion to include adoption payments, and (2) use of new Federal money, on a phased basis, to encourage States to improve and expand their systems of services to children.

Foster care and adoption maintenance.—We propose to establish a new program authority, separate from AFDC, which both foster care maintenance payments and adoption maintenance payments would be authorized.

Foster care maintenance payments would continue to be available to AFDC-eligible children. However, four new features would modify the current foster care program.

A lower Federal matching rate for foster care in large institutions would discourage such placements, which are often inappropriate for the child and cost more than smaller, more appropriate foster care settings.

Small public institutions could qualify for foster care maintenance payments, making possible more group home and residential treatment center placements.

While court review prior to involuntary placement would continue to be required, emergency and voluntary placements would be permitted—provided that a court or quasi-judicial review is conducted or the child is restored to his or her family within three months of placement.

Due process protections for the children, natural parents, and foster parents would be required. These due process protections would be assured by requirements in the child welfare services section of our proposal.

In a humane and responsive child welfare system, foster care would usually be no more than a brief way-station for the child on the way to permanent

adoption or return to his or her original family. But, as noted, Federal policy now impedes that result.

Our proposal would put Federal policy on a sounder basis by encouraging adoption of those AFDC children who are deemed "hard-to-place". The adopting family would have to meet a simple income test to qualify for an adoption maintenance payment. These payments would continue until the child reaches adulthood or the adopting family exceeds the income test, whichever occurs first. The amount of the adoption maintenance subsidy would be limited by regulation, perhaps to the foster family home maintenance payment rate, and the same Federal matching rate would apply. In order to encourage adoptions, Medicaid eligibility for preexisting conditions would follow the child into adoption.

We propose that this new entitlement authority for foster care maintenance and adoption payments remain open-ended only until fiscal 1980 when a cap at 10 percent above the fiscal 1979 expenditure level would be imposed. For each of the next five fiscal years, the cap would increase by increments of about 10 percent and would then level off. A State could apply any unused portion of its maintenance entitlement to add to its federal funds for the provision of child welfare services expenditures under Title IV–B.

Child welfare services.—The proper functioning of the child welfare system depends heavily upon social services for children and their families, such as preventive, reunification, adoption and drug- and alcohol-related services. Yet, as noted, Title IV–B now directs few Federal resources—perhaps as little as $12 million a year—into such services. And even those meager resources flow into State systems which often are not capable of using them effectively.

We intend to change that by directing significant new Federal money—$63 million in Fiscal 1978 rising to $209.5 million in the mid-1980's—into the development of State systems for tracking, case review, due process safeguards, and preventive and restorative services for children at risk of foster care.

Under our proposal, Title IV–B would be converted to a capped entitlement program providing a maximum of $209.5 million a year in new money (above the present $56.5 million base) to be made available on a 75 percent matching basis to the States in two phased, "flexible grants."

Phase one

Beginning in Fiscal 78, 30 percent of the new money (or about $63 million) would be earmarked and available for designing and implementing State tracking and information systems, individual case review systems, the provision of services designed to promote adoption, and due process procedures for natural parents, children and foster parents. The due process procedures include administrative or judicial review of the status of all children in foster care within six months to determine compliance with individual case plans and review within 18 months of the appropriateness of a permanent placement for the child.

System requirements would be defined in terms of general objectives (e.g., "a tracking system from which the status of every child in out-of-home care may be readily identified"), rather than in terms of detailed system specifications. After those reforms are in place, the State may use any new money left from this phase for systems maintenance and Title IV–B child welfare services.

Phase two

The remaining 70 percent of the $209.5 million in new money (about $147 million) would be made available only after the requirements of the first "flexible grant" are met. In this second phase, the new money could be used for child welfare services under existing Title IV–B, the only restriction being that at least 40 percent of the State's share of the $209.5 million in new money must be used for certain defined services to prevent unnecessary removal of children from their families.

Finally, in order to receive the new money, the States must maintain their current levels of Title IV–B expenditures for child welfare services. The only Title IV–B money that could be used for maintenance payments would be the $56.5 million base (the fiscal 77 appropriation under Title IV–B).

In sum, the Administration's proposals will accomplish:

The appropriate placement of children by making Federal money available for adoptions; greatly increasing Federal funding for preventive and reunification services; encouraging deinstitutionalization of children in foster care; and encouraging specific procedural reforms to ensure that the status of children is properly monitored.

Fiscal control over Federal child welfare expenditures by capping the foster care/adoption maintenance program; creating incentives for lower cost placements; and assuring that new Federal funds for services will be well spent in reformed State systems.

Flexibility for the States in program administration by giving States positive incentives to adopt changes that are defined by goals, rather than by highly detailed requirements; allowing reformed State systems to allocate the new Federal Title IV–B money for services largely as they wish; and allowing States to establishment placement procedures and to make placement decisions.

H.R. 7200

As my description of the President's child welfare proposal suggests, we have drawn extensively on the excellent principles and goals embodied in the child welfare provisions of H.R. 7200. Our proposal differs from it, however in a number of important respects:

In seeking to encourage changes in the State programs to achieve better tracking and information systems, better case review and case planning, better due process safeguards, and better prevention and reunification services, we rely, for the most part, on goal and performance specifications. In contrast, H.R. 7200 would impose a set of rigid and detailed program requirements which would be costly for us to administer, difficult to enforce, and unnecessarily restrictive of State discretion.

In the interests of fiscal responsibility, we would cap the foster care-adoption maintenance program, although at generous levels. H.R. 7200 would leave the program open-ended.

We would create incentives for placement in smaller rather than larger foster care settings. H.R. 7200 does not provide the same incentives.

We would limit Federal financial participation to those placements involving a judicial or quasi-judicial determination of rights. H.R. 7200 would not.

We would continue adoption payments so long as they were needed. H.R. 7200 would limit the duration of the payments to the period the child was in AFDC-supported foster care, or to one year.

We would phase in the $209.5 million in new money for child welfare services according to the progress each State makes in reforming its child welfare system. H.R. 7200 would make all of the money available immediately, subject to a fund cut-off for failure to meet specified conditions.

We would make health care payments for children in foster care or adoption settings out of Medicaid program funds. H.R. 7200 would make such payments out of the new services money.

OTHER PROVISIONS

I shall now turn briefly to the other provisions of H.R. 7200 affecting AFDC, SSI, and social services. Let me first thank the Committee for acting so expeditiously on the expiring provisions that you attached to H.R. 1404 and that the President signed into law on June 30.

I am pleased to pledge the Administration's support for several of H.R. 7200's provisions which would both improve the administration and help control the cost of AFDC and SSI pending enactment of the comprehensive welfare reform plan that the President will submit to you in three weeks. We must respectfully oppose, however, those parts of H.R. 7200 which, in our judgment, would impair administrative efficiency, make welfare reform more difficult to implement, or abandon the course of fiscal responsibility that the President has charted.

Appendix A to this statement sets forth in detail our position on each of the non-child welfare provisions of H.R. 7200.

Finally, we commend to your serious attention a proposal that was submitted to Congress as a draft Administration bill on May 10th. This bill provides for a "standardization" of the work expense disregard in the AFDC program. Under current law, certain work-related expenses incurred by an AFDC recipient are "disregarded" in determining the level of benefits received. Our proposal would create a uniform formula for determining these work-related expenses. It also provides authority to reimburse the States for fifty percent of the administrative costs incurred in the certification of welfare recipients for the food stamp program.

I am submitting a copy of the bill, the Department's May 10th transmittal letter and a table of the estimated fiscal effects of the AFDC work expense disregard provision as Appendix B to my prepared statement.

In closing, Mr. Chairman, let me emphasize once again the importance of our child welfare proposal as a keystone of the Administration's policy on families. It seeks to address some of the fundamental causes that have contributed to one of our most haunting and intractable social problems.

As President Carter stated in the campaign, the American family is the first school of every child, the first government, and the first church. With the enactment of the President's child welfare proposal, we can help foster, adopting and natural families perform these invaluable tasks for thousands of this nation's most vulnerable and disadvantaged children.

Thank you very much.

APPENDIX A

1. SUPPLEMENTAL SECURITY INCOME PROVISIONS IN H.R. 7200

The Administration opposes seven of the provisions contained in H.R. 7200 which would make changes in the Supplemental Security Income Program. Four of these provisions, taken together, would add $189 million to the President's budget.

Section 109, Section 113: Eligibility of Individuals in Certain Medical Institutions and Definition of Eligible Spouse

Section 109 would delay application of the $25 benefit standard from the first month to the fourth month of institutionalization in a Medicaid facility and would increase federal SSI expenditures by over $13 million in FY 1978. Section 113, a related provision, would allow each eligible spouse to be treated as an individual after one month's separation, rather than 6 months as is currently required. This provision would increase federal benefit payments by $2 million in FY 1978.

While we are concerned with the effect of current law on persons who become hospitalized or otherwise separated from their spouses, we are opposed to sections 109 and 113 of this bill. If these provisions were adopted as they are now, SSI benefits payable to an eligible couple would generally be increased during the second full month one member was confined to a medical facility (since they each could receive benefits as individuals) and then decreased as of the fourth month when the institutionalized spouse's benefit would be reduced to a $25 maximum or stopped entirely if he was found ineligible. This type of interaction clearly seems anomalous and unintended, and indicates that further thought needs to given to the complex subject of eligibility for certain categories of benefits. We are willing to pursue changes in the law that would be equitable for beneficiaries and administratively manageable, but we urge the Committee not to give favorable consideration to these two sections because they would complicate the program, increase program costs, and may promote family breakups.

Section 110: Cost-of-Living Adjustments in Supplemental Security Income Payments to Individuals in Certain Institutions

We oppose the provision which would extend the application of the automatic cost-of-living increase provisions to the $25 benefit standard which applies to people in medical facilities when their care is financed by Medicaid. Changes in the Consumer Price Index (which would trigger the increase, under this proposal) are largely caused by increases in the cost of food, shelter, and medical care. Since Medicaid benefits cover these expenses for the recipients involved, we do not believe that an automatic cost-of-living increase in the standard $25 SSI amount is necessarily warranted. Before this SSI payment is increased, prudence demands that an effort is made to determine whether the current payment is adequate. We estimate that this provision would result in fiscal year 1978 expenditures of $4 million beyond the President's budget.

Section 112: Exclusion of Certain Assistance Payments from Income

We oppose this provision which would forgive past SSI overpayments resulting from failure to report certain housing assistance payments.

We favor retaining the current law so there is equitable treatment of all beneficiaries for the period before October 1, 1976, and equitable treatment after the October change in law affecting housing subsidies. Providing relief for only one group of beneficiaries who did not accurately report their income would be inequitable to all those beneficiaries who did report accurately.

Section 114: Coordination With Other Assistance Programs

This provision attempts to coordinate the administration of Medicaid, food stamp, and SSI benefits, to ease difficulties for recipients.

The underlying principle is consistent with the Administration's goals for welfare reform. There are, however, obstacles to effective coordination that arise from differences in current law with respect to eligibility, and benefit computations. We believe the goal of benefit coordination will be better served in our broader welfare reform proposals.

Sections 201 and 203: Extension of SSI to Puerto Rico, Guam, and the Virgin Islands, and Removal of the Ceiling on Federal Matching Funds for AFDC in Puerto Rico, Guam, and the Virgin Islands

Provisions of Title II of the bill would extend the SSI program to Puerto Rico, Guam, and the Virgin Islands and remove the ceiling on AFDC matching funds to these territories. The provisions for extending SSI, taken alone, would cost over $80 million for 6 months in FY 78, rising to more than $185 million in FY 79. Moreover, it is unrealistic to expect implementation of a program of this magnitude in less than a year from the time of enactment of authorizing legislation. We strongly oppose sections 201 and 203. Such action should be considered in the context of general welfare reform.

2. The Social Services Provisions in H.R. 7200

Section 301

We support the provisions of Title III which extend P.L. 94-401 for one year. We strongly oppose any permanent increase in the Title XX ceiling and urge that the Committee simply provide for a one year extension.

Following are the provisions of H.R. 7200 which the Administration supports because they provide administrative relief to the Social Security Administration and improve the effectiveness of the programs without significantly increasing program costs.

Section 102: Attribution of Parents' Income and Resources to Children

We support this provision since it would remove the disparities in present law in the treatment of students and nonstudents aged 18 through 20. The implementation of this program would result in negligible additional costs.

Section 103: Modification of Requirement for Third Party Payee

This provision allows for the direct payment of SSI benefits to drug addicts or alcoholics if the attending physician of the institution where the individual is undergoing treatment certifies that this procedure would have significant therapeutic value for the individual and there would be little risk of misuse of the funds involved.

We support this proposal as far as it goes but would prefer to see the special representative payee provision applicable to drug addicts and alcoholics repealed, and the usual test—ability to manage funds—employed for drug addicts and alcoholics as well. This provision is not expected to have any costs.

Section 104: Continuation of Benefits for Individuals Hospitalized Outside the United States in Certain Cases

This proposal authorizes the continuation of SSI benefits to an individual hospitalized outside the United States on the same basis as in the Medicare program.

We support the proposal; agree with the House that it is meritorious; and estimate the costs to be negligible.

Section 105: Exclusion of Certain Gifts and Inheritances from Income

This proposal allows the Secretary to provide by regulation that gifts and inheritances that are not readily convertible into cash are not to be considered income for purposes of SSI payments.

We support this provision because it does not seem equitable to reduce or terminate benefits which we regard as income but cannot be used for the support of the recipient. The cost would be negligible.

Section 106: Increased Payments for Presumptively Eligible Individuals

This section allows one or more cash advances to a presumptively eligible individual up to the maximum monthly benefit (including State supplementary payments) for three months.

We believe this is a reasonable provision for dealing with exceptional cases. In order to avoid substantial payments to ineligibles, we intend to retain current criteria for presumptive eligibility. The cost of this provision should be negligible.

Section 107: Termination of Mandatory Minimum State Supplementation in Certain Cases

This section eliminates the mandatory minimum State supplementation for those individuals who, after September 1977, are (1) no longer residents of the State to which such rules apply, (2) receiving income greater than their December 1973 income, (3) in certain public institutions and ineligible for SSI, and (4) ineligible because of excess resources.

We support this provision because it will help to eliminate the inequities involved whenever special treatment is afforded one group of beneficiaries over others. There would be no increased Federal costs, but States might realize some small savings.

Section 108: Monthly Computation Period for Determination of Supplemental Security Income Benefits

This section provides that SSI eligibility and benefits be determined on a monthly rather than a quarterly basis.

We support this proposal. In addition to simplifying the administrative operation of the program it would prevent the recipient, who receives a large, unexpected sum of money in the last month of a calendar quarter, from being found ineligible for some or all of the benefits he may have received in the prior months of the quarter.

Although a definite cost estimate cannot be made, we believe it would not be excessive.

Section 111: Exclusion from Income of Certain Assistance Based on Need

This section eliminates any reduction in SSI resulting from assistance based on need that is given to an individual by a private charitable agency.

This provision is intended to remove the disincentive in present law for private charitable organizations to provide assistance to SSI recipients. We believe the cost of this provision to be negligible.

Section 115: Attribution of Sponsor's Income and Resources to Aliens

In our view, a solution to the problem of public support of aliens shortly after their entry into the country should come from a carefully coordinated effort to revise policies, and possibly laws, to relate the conditions under which we permit aliens to remain in the country to the conditions under which we permitted them to enter. Broad-based reforms are needed to give rational and effective meanings to the pledges given by immigrating aliens and their sponsors. We would not oppose, however, a change in the law to restrict SSI eligibility of aliens whose entry to the United States was gained through assurances of financial independence of public sources. Therefore we can accept the restriction that would be imposed under this provision because it has limited application and is aimed at those who would abuse SSI and does not treat all aliens as manipulators of the system, even though we do not feel it is an ideal solution.

Section 504: Child Support Enforcement Program

We favor recent legislation which would extend through fiscal year 1979 the Federal matching funds for child support enforcement services to non-AFDC families. In addition, we think the provision of H.R. 7200 which would limit Federal matching to those nonwelfare individuals whose incomes does not exceed 200 percent of the AFDC standard of need should be enacted.

Section 505: Federal Financial Participation in Certain Restricted Payments Under AFDC

We support the provision to remove the limit on AFDC vendor payments to providers of utility and housing services voluntarily authorized by the AFDC recipient. While the current limitations on vendor payments were put into law to protect recipients from coercion and to allow the freedom to manage their own financial affairs, it is our belief the current system denies financial management options to welfare clients available to others in our society.

APPENDIX B

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,
May 10, 1977.

HON. WALTER F. MONDALE,
President of the Senate,
Washington, D.C.

DEAR MR. PRESIDENT: Enclosed for the consideration of the Congress is a draft bill "To amend title IV of the Social Security Act to adjust the amount of income to be disregarded in determining need under the Aid to Families with Dependent Children program and for other purposes."

The draft bill would make several amendments related to the Aid to Families with Dependent Children (AFDC) program.

Section 1(a) would eliminate the requirement, currently imposed by section 402(a)(7) of the Social Security Act, that a State must consider, when determining need under the Aid to Families with Dependent Children program, any expenses reasonably attributable to the earning of income.

Section 1(b) would amend section 402(a)(8)(A)(ii) of the Social Security Act to substitute for the current work-related expenses provision of section 402(a)(7) a new income disregard in lieu of such work-related expenses. This amendment would require States to disregard, for purposes of determining need, an amount equal to any expenses which are for the care of a dependent child and are reasonably attributable to the earning of income. States would be required to set reasonable limits on expenses which could be covered by this provision. However, instead of requiring the disregard of other itemized work-related expenses, the amendment would require States to disregard a percentage of total earned income. The percentage would be limited to not less than 15 percent nor more than 25 percent, and would be required to be uniformly applied throughout the State. The amendment would thus eliminate, with respect to all work-related expenses other than day care, the necessity to measure or predict the actual level of such expenses on a case-by-case basis. By requiring the disregard of a percent of gross income, the amendment takes into account the tendency of work-related expenses to rise along with income.

As under current law, subsection (b) would retain a disregard for the purpose of providing a work incentive. In addition to the income disregards described in the preceding paragraph, the amendment would require the disregard of the first $30 of earned income plus one-third of the remainder (after first deducting $30, any actual child care expenses, and the standardized disregard which would be established by the bill in lieu of work-related expenses). Section 1(c) would make a conforming change in section 402(a)(8)(D). Section 1(d) would make the amendments effective with respect to payments for amounts expended by States after September 1977.

Section 2 of the draft bill would amend title XI of the Social Security Act to authorize the Secretary of Health, Education, and Welfare to reimburse States for fifty percent of the administrative costs incurred for the certification of recipients of aid to families with dependent children for food stamps, as well as to reimburse Puerto Rico, Guam, and the Virgin Islands for fifty percent of their administrative costs incurred for the certification of recipients of aid to families with dependent children and of recipients of adult assistance for food stamps. It is currently the policy of the Department of Health, Education, and Welfare and the Department of Agriculture to reimburse States and the territories for a portion of the administrative costs incurred in certifying recipients of aid under certain assistance programs for food stamps. However, the authority for such reimbursement by this Department has never been clearly specified in legislation.

Section 3 of the draft bill would amend section 458 of the Social Security Act, which currently requires incentive payments to States and political subdivisions to encourage both interstate and intrastate cooperation by jurisdictions in enforcement and collection actions under the child support program authorized by this IV-D. The Department has found that the incentive payments in interstate cases have been costly to the federal government relative to the benefit and difficult for both States and the federal government to administer. Our proposal would therefore limit the provision of incentive payments to political subdivisions (intrastate cases).

We urge the speedy consideration and enactment of this draft bill by the Congress.

The Office of Management and Budget advises that enactment of this draft bill would be in accord with the Administration's objectives.

Sincerely,

JOSEPH A. CALIFANO, Jr.,
Secretary.

Enclosure.

A BILL To amend title IV of the Social Security Act to adjust the amount of income to be disregarded in determining need under the Aid to Families with Dependent Children program and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

WORK EXPENSE DISREGARD

SECTION 1. (a) Section 402(a)(7) of the Social Security Act is amended by striking out "as well as any expenses reasonably attributable to the earning of any such income".

(b) Section 402(a)(8)(A)(ii) of such Act is amended by striking out "the first $30 of the total of such earned income for such month plus one-third of the remainder of such income for such month" and inserting instead "the first $30 of the total of such earned income for such month plus an amount equal to any expenses (subject to such reasonable limits as the State shall prescribe) which are for the care of a dependent child and are reasonably attributable to the earning of any such income plus an amount which the State shall establish in lieu of disregarding other expenses reasonably attributable to the earning of any such income (which amount shall be a per centum, applied uniformly throughout the State, of not less than 15 per centum nor more than 25 per centum of the total of such earned income for such month) plus one-third of the remainder of such income after deducting $30, plus the amount equal to any expenses (subject to the limits prescribed by the State) which are for the care of a dependent child, plus the amount established by the State in lieu of disregarding other expenses reasonably attributable to the earning of such income".

(c) Section 402(a)(8)(D) of such Act is amended by striking out "was in excess of their need" and inserting instead "was in excess of their need (after deducting from such income an amount equal to any expenses, subject to such reasonable limitations as to amount or otherwise as the State shall prescribe, which are for the care of a dependent child and are reasonably attributable to the earning of any such income plus an amount which the State establishes pursuant to subparagraph (A)(ii) of this paragraph in lieu of disregarding other expenses reasonably attributable to the earning of any such income)".

(d) The amendments made by this section shall be effective with respect to payments under section 403 of the Social Security Act for amounts expended during calendar months after September 1977.

FEDERAL PARTICIPATION IN THE COST OF CERTIFYING FOR FOOD STAMPS RECIPIENTS OF CERTAIN AID OR ASSISTANCE UNDER THE SOCIAL SECURITY ACT

SEC. 2. Title XI of the Social Security Act is amended by adding after section 1131 the following new section:

"FEDERAL PARTICIPATION IN THE COST OF CERTIFYING FOR FOOD STAMPS RECIPIENTS OF CERTAIN AID OR ASSISTANCE UNDER THE SOCIAL SECURITY ACT

"SEC. 1132. (a) In addition to any amount to which a State is entitled under section 3(a), 403(a), 1003(a), 1403(a), or 1603(a) (as that section applies in Puerto Rico, Guam, and the Virgin Islands), the Secretary shall pay to each State an amount equal to 50 per centum of the administrative costs incurred by the State in the certification for food stamps, under the Food Stamp Act of 1964, as amended, for recipients of aid or assistance (other than medical assistance to the aged) under a State plan approved under title I, X, XIV, or XVI or part A of title IV.

"(b) The limitations imposed by section 1108 of this Act on the amounts payable to Puerto Rico, Guam, and the Virgin Islands pursuant to certain titles of this Act shall not apply to payments required by this section."

CHILD SUPPORT INCENTIVE PAYMENTS TO LOCALITIES

SEC. 3. (a) Section 458(a) of the Social Security Act is amended by striking out "or one State makes, for another State," by striking out "(either within or outside of such State),", and by striking out "or such other State".

(b) The amendments made by subsection (a) shall be effective after September 30, 1977.

TO STANDARDIZE AFDC WORK EXPENSE DISREGARD IF STATES STANDARDIZE WORK-RELATED EXPENSES AT 15 PCT, 20 PCT, OR 25 PCT, OF GROSS EARNED INCOME

	15 pct	20 pct	25 pct
National totals [1]	$172,190,652	$119,446,474	$79,560,771
1 Alabama			
2 Alaska			
3 Arizona	111,223	(93,572)	(219,554)
4 Arkansas			
5 California	26,743,571	15,015,750	14,217,668
6 Colorado	2,277,414	1,937,819	733,223
7 Connecticut			
8 Delaware			
9 District of Columbia			
10 Florida	2,845,036	1,744,279	643,471
11 Georgia	8,617,396	6,284,159	3,950,922
12 Hawaii			
13 Idaho			
14 Illinois	3,798,096	1,683,047	(436,858)
15 Indiana	3,194,107	2,079,088	964,073
16 Iowa	2,573,897	1,966,437	1,358,978
17 Kansas	1,270,346	873,760	477,178
18 Kentucky	3,170,900	2,497,918	1,729,938
19 Louisiana	982,341	645,666	314,984
20 Maine	4,720,682	3,736,441	2,752,195
21 Maryland			
22 Massachusetts	6,711,706	4,353,978	4,030,841
23 Michigan	10,097,451	7,608,506	5,119,560
24 Minnesota	5,448,569	4,196,316	3,232,068
25 Mississippi	3,458,479	2,157,006	855,528
26 Missouri	14,370,612	11,053,879	7,737,140
27 Montana			
28 Nebraska			
29 Nevada			
30 New Hampshire			
31 New Jersey	9,121,058	7,121,0115	5,120,976
32 New Mexico			
33 New York	13,262,133	10,163,896	7,943,308
34 North Carolina	1,582,827	992,455	402,089
35 North Dakota	307,003	212,507	118,091
36 Ohio	1,594,383	985,478	376,871
37 Oklahoma			
38 Oregon			
39 Pennsylvania	8,491,892	6,158,324	3,824,750
40 Rhode Island			
41 South Carolina	1,383,297	997,549	611,802
42 South Dakota			
43 Tennessee	3,933,718	3,008,067	2,082,421
44 Texas	2,057,461	1,396,218	735,781
45 Utah			
46 Vermont			
47 Virginia	988,628	354,531	(279,571)
48 Washington			
49 West Virginia	189,154	79,883	(29,392)
50 Wisconsin			
51 Wyoming			

[1] National totals are based on a statistically valid national sample; State savings are shown only for those States for which a statistically valid State sample was available. Therefore, State savings shown do not sum to the national total.

Source: 1975 AFDC Survey.

USE OF AFDC FUNDS AS PAYMENT FOR WORK

My statement that Federal financial participation in payments under the AFDC program that are conditioned on State-imposed work requirements is precluded by statute, rather than regulations, was based upon a long-established interpretation of the law. From the initial enactment of the public assistance programs in 1935, HEW has taken the position that requiring an individual to accept assignment to a work relief project, i.e., to work off or work for his benefits, as a condition of receipt of benefits would be inconsistent with the intent of the law to provide unrestricted financial assistance to needy individuals rather than to compensate such individuals for work performed. This interpretation was con-

firmed by the enactment in 1962 of the Community Work and Training Programs which provided specific authorization for the establishment of work relief type programs in AFDC. These programs were replaced in 1968 by the enactment of the Work Incentive Program which includes provision for special work projects for individuals for whom a job in the regular economy cannot be found. The effect of these actions by the Congress has been to continue and reinforce the long-standing principle that payments for work are not subject to Federal matching except as the Congress may specifically provide, and that the Congress intended to reserve to itself the authority to specify by statute the conditions under which work should be required of assistance recipients.

The previous Administration departed from this traditional view to some extent by HEW's approval of the Utah State plan in 1976. Under the Utah plan, certain AFDC recipients who are regarded as appropriate for job referral but who are unable to obtain private employment are required to participate in public works jobs as a condition of contined eligibility for AFDC benefits.

This Administration is firmly committed to the principle that people who are capable of working should work, and this principle, we believe, is embodied in the Administration's welfare reform plan. We think, however, that welfare recipients, like other individuals, should receive payment for their work. Any interim measures should be consistent with the approach taken in welfare reform.

TO STANDARDIZE AFDC WORK EXPENSE DISREGARD IF STATES STANDARDIZE WORK-RELATED EXPENSES AT 15 PCT, 20 PCT, OR 25 PCT OF GROSS EARNED INCOME

	15 pct	20 pct	25 pct
National totals [1]	$79,095	$122,162	$166,860
1 Alabama			
2 Alaska			
3 Arizona	332	708	1,042
4 Arkansas			
5 California	11,874	18,939	24,335
6 Colorado	968	3,403	5,748
7 Connecticut			
8 Delaware			
9 District of Columbia			
10 Florida	1,167	2,788	4,778
11 Georgia	599	1,543	2,049
12 Hawaii			
13 Idaho			
14 Illinois	1,848	3,267	4,491
15 Indiana	2,265	3,811	4,845
16 Iowa	788	1,373	2,210
17 Kansas	962	1,684	2,305
18 Kentucky	380	725	1,167
19 Louisiana	1,416	1,856	2,589
20 Maine	698	1,123	1,748
21 Maryland			
22 Massachusetts	4,224	6,360	7,482
23 Michigan	3,691	5,762	11,078
24 Minnesota	1,510	2,401	3,479
25 Mississippi	3,593	5,648	7,365
26 Missouri	3,834	5,351	6,696
27 Montana			
28 Nebraska			
29 Nevada			
30 New Hampshire			
31 New Jersey	1,417	2,580	4,472
32 New Mexico			
33 New York	3,222	4,640	6,013
34 North Carolina	1,020	1,374	1,820
35 North Dakota	278	438	76
36 Ohio	820	1,320	1,819
37 Oklahoma			
38 Oregon			
39 Pennsylvania	3,178	5,142	7,531
40 Rhode Island			
41 South Carolina	1,346	1,814	2,215
42 South Dakota			
43 Tennessee	1,701	2,865	3,739
44 Texas	1,178	2,542	4,571
45 Utah			
46 Vermont			
47 Virginia	3,066	4,361	5,419
48 Washington			
49 West Virginia	225	442	659
50 Wisconsin			
51 Wyoming			

[1] National totals are based on a statistically valid national sample; State savings are shown only for those States for which a statistically valid State sample was available. Therefore, State savings shown do not sum to the national total.

Source: 1975 AFDC Survey.

TO STANDARDIZE AFDC WORK EXPENSE DISREGARD IF STATES STANDARDIZE WORK-RELATED EXPENSES AT 15 PCT, 20 PCT, OR 25 PCT OF GROSS EARNED INCOME

	15 pct	20 pct	25 pct
National totals [1]	$383,830	$340,763	$296,065
1. Alabama			
2. Alaska			
3. Arizona	918	542	208
4. Arkansas			
5. California	52,017	44,952	39,556
6. Colorado	8,135	5,700	3,355
7. Connecticut			
8. Delaware			
9. District of Columbia			
10. Florida	12,217	10,596	8,606
11. Georgia	19,971	19,027	18,521
12. Hawaii			
13. Idaho			
14. Illinois	12,671	11,252	10,028
15. Indiana	8,322	6,776	5,742
16. Iowa	5,857	5,272	4,435
17. Kansas	3,938	3,216	2,595
18. Kentucky	5,019	4,674	4,232
19. Louisiana	4,144	3,704	2,971
20. Maine	5,974	5,549	4,924
21. Maryland			
22. Massachusetts	13,310	11,174	10,052
23. Michigan	24,565	22,494	17,178
24. Minnesota	9,270	8,379	7,301
25. Mississippi	10,529	8,474	6,757
26. Missouri	25,747	22,230	20,885
27. Montana			
28. Nebraska			
29. Nevada			
30. New Hampshire			
31. New Jersey	18,253	17,090	15,198
32. New Mexico			
33. New York	22,630	21,212	19,839
34. North Carolina	4,420	4,066	3,620
35. North Dakota	1,027	867	1,229
36. Ohio	6,908	6,408	5,909
37. Oklahoma			
38. Oregon			
39. Pennsylvania	17,168	15,204	12,815
40. Rhode Island			
41. South Carolina	2,911	2,443	2,042
42. South Dakota			
43. Tennessee	8,391	7,227	6,353
44. Texas	10,485	9,121	7,092
45. Utah			
46. Vermont			
47. Virginia	4,676	3,381	2,323
48. Washington			
49. West Virginia	856	639	422
50. Wisconsin			
51. Wyoming			

[1] National totals are based on a statistically valid national sample; State savings are shown only for those States for which a statistically valid State sample was available. Therefore, State savings shown do not sum to the national total.

Source: 1975 AFDC Survey.

Senator MOYNIHAN. The committee will stand in recess.

[Whereupon, at 12:10 p.m. the subcommittee recessed, to reconvene at the call of the Chair.]

PUBLIC ASSISTANCE AMENDMENTS OF 1977

MONDAY, JULY 18, 1977

U.S. SENATE,
SUBCOMMITTEE ON PUBLIC ASSISTANCE,
OF THE COMMITTEE ON FINANCE,
Washington, D.C.

The subcommittee met, pursuant to recess, at 9 a.m. in room 2221, Dirksen Senate Office Building, Hon. Daniel P. Moynihan (chairman of the subcommittee) presiding.

Present: Senators Long, Talmadge, Moynihan, Curtis, Dole and Packwood.

Senator MOYNIHAN. I would like to extend a very pleasant good morning to our guests, associates in these enterprises. Let it be recorded that this hearing began ahead of time because the Department of Labor officials who are doing us the courtesy to appear, arrived at that time, as did my senior colleague, Senator Talmadge.

Senator TALMADGE. If you would yield at that point, let it be noted also that the chairman arrived ahead of time.

Senator MOYNIHAN. This is the second day of hearings on H.R. 7200, which approaches the condition of an omnibus social welfare proposal.

This morning, we are going to begin a special inquiry which Senator Talmadge has particularly asked for, in view of his particular role in the creation of the work incentive program and the general welfare system.

We have asked the Honorable Ernest G. Green, Assistant Secretary of Labor for Employment and Training to appear to speak to this matter. I would like to say good morning to you, Mr. Secretary. Would you introduce your associates?

Mr. GREEN. Thank you very much, Mr. Chairman. To my left is Merwin Hans, Director of the Office of Work Incentive Programs; to my right is William Hewitt, Director of the Office of Policy, Evaluation and Research in the Employment and Training Administration.

Senator MOYNIHAN. We welcome you. Senator Talmadge has an opening statement.

OPENING STATEMENT OF SENATOR TALMADGE

Senator TALMADGE. Thank you very much, Mr. Chairman.

The work incentive program is a mechanism designed by the Congress to help AFDC recipients find and keep jobs. The program provides manpower training, employment services, and opportunities and supportive services, including child care for WIN families.

The WIN program was originally enacted by the Congress in 1967 for the purpose of reducing welfare dependency through the provision of manpower training and job replacement services.

In 1971, the Congress adopted amendments aimed at strengthening the administrative framework of the program and placing greater emphasis on immediate employment instead of institutional training, thus specifically directing the program to assist individuals in the transition from welfare to work.

In the same year, Congress also provided for a tax credit for employers who hire WIN participants, equal to 20 percent of the wages paid for a maximum of 12 months employment. Adult members of AFDC families who were capable of employment, with certain exceptions such as mothers caring for preschool age children, are required to register for participation in the work incentive program, established under title IV(c) and to accept training for employment offered through that program.

Federal funding for the WIN program, including the cost of necessary supportive services, is provided at 90 percent maximum rate. This program is subject to annual appropriations, and is presently funded at a level of $365 million.

Legislation enacted early this year, Public Law 95-30 authorized additional appropriations up to $435 million for fiscal years 1978 and 1979 to be used without any non-Federal matching requirement. No funding under that provision has yet been appropriated.

I believe that it is important to keep in mind the important role that employment and earnings have in the lives of welfare recipients. We hear all too often that welfare recipients are unemployable, that moving them into the labor force is an unreasonable and unattainable goal.

I disagree with that assessment. I believe that there is strong evidence to back up my views.

First of all I would like to point out that many AFDC mothers, fathers, and youths who are working and earning incomes to support their families, they find jobs, either through their own initiative or through the work incentive program. The last survey of AFDC recipients show that in the month of March, 1975, about 16 percent of AFDC mothers were employed either full or part-time.

The experts estimate that in the course of a year, as many as 40 or 50 percent of the mothers on AFDC have earnings. In my judgment, many of our present recipients could improve their employability and raise family income even more than they are currently doing if we provide the proper kind of incentive.

Despite the economic recession, the WIN program has been working effectively, particularly in the service sector of the economy. Recent economic dislocations have hit manufacturing, construction and related industries the hardest, resulting in high unemployment rates in those sectors. However, the service sector has expanded and created jobs for those in a position to take advantage of them.

WIN participants have been getting those jobs. Statistics have suggested WIN successes.

In fiscal years 1973 through 1975, 297,000 WIN registrants entered employment. Of these 139,000 and their families were taken off welfare rolls and 158,000 remained on welfare but received smaller grants

as a result of WIN-found employment. Also, welfare spending, both Federal and State for those fiscal years, was reduced by nearly $400 million.

In addition, in fiscal year 1976 and the following transitional quarter, another 237,000 WIN registrants entered employment. Of these 105,000 individuals, plus the children of these individuals, went off welfare completely.

Statistics for the first quarter of the fiscal year 1977 indicate that the success is continuing. In that brief period, 59,000 AFDC recipients entered employment, and 30,000 of them finally left welfare as a result of sufficiently high earnings.

Mr. Chairman, at this point I want to point out the President's statement dated May 2, 1977 on welfare reform. It cites as his objective, and I read in paragraph 3, "Incentives should always encourage full-time and part-time private sector employment." Paragraph 4: "Public training and employment programs should be provided when private employment is unavailable."

I ask at this point that the President's statement be inserted into the record in full.

Senator MOYNIHAN. Without objection.

[The material to be furnished follows:]

STATEMENT BY THE PRESIDENT

Shortly after becoming President, I announced that a comprehensive reform of the nation's welfare system would be one of our first priorities. Under the general leadership of HEW Secretary Califano, we have worked with other private and government agencies during the last three months to assess the present welfare system and to propose improvements to it. It is worse than we thought.

The most important, unanimous conclusion is that the present welfare programs should be scrapped and a totally new system implemented.

This conclusion in no way is meant to disparage the great value of the separate and individual programs enacted by the Congress over the past decade and a half. These include food stamps for all low income persons, the supplemental security income floor for our aged and disabled, work incentives for welfare families with children, increased housing assistance, tax credits, unemployment insurance extensions, enlarged jobs programs, and the indexing of social security payments to counter the biggest enemy of the poor—inflation.

This conclusion is only to say that these many separate programs, taken together, still do not constitute a rational, coherent system that is adequate and fair for all the poor. They are still overly wasteful, capricious, and subject to fraud. They violate many desirable and necessary principles. We have established the following goals:

1. No higher initial cost than the present systems;
2. Under this system every family with children and a member able to work should have access to a job;
3. Incentives should always encourage full-time and part-time private sector employment;
4. Public training and employment programs should be provided when private employment is unavailable;
5. A family should have more income if it works than if it does not;
6. Incentives should be designed to keep families together;
7. Earned income tax credits should be continued to help the working poor;
8. A decent income should be provided also for those who cannot work or earn adequate income, with federal benefits consolidated into a simple cash payment, varying in amount only to accommodate differences in costs of living from one community to another;
9. The programs should be simpler and easier to administer;
10. There should be incentives to be honest and to eliminate fraud;

11. The unpredictable and growing financial burden on state and local governments should be reduced as rapidly as federal resources permit; and
12. Local administration of public job programs should be emphasized.

We believe these principles and goals can be met.

There will be a heavy emphasis on jobs, simplicity of administration, financial incentive to work, adequate assistance for those who cannot work, equitable benefits for all needy American families, and close cooperation between private groups and officials at all levels of government.

The more jobs that are available, the less cash supplement we will need.

We will work closely with Congress and with state, local and community leaders, and will have legislative proposals completed by the first week in August. Consultations with each of the fifty states are necessary. If the new legislation can be adopted early in 1978, an additional three years will be required to implement the program. The extremely complicated changes must be made carefully and responsibly.

Scheduled Congressional hearings will permit the nature of the tasks ahead to be explained and debated.

In the meantime, the administration's proposed reforms for the food stamp program should be enacted.

Senator TALMADGE. Also, Mr. Chairman, there was an article in U.S. News & World Report of July 18, 1977 concerning welfare programs by States for welfare recipients, and a steady step-up of the Federal Government's work incentive program and its role of finding jobs for welfare recipients.

For example, WIN placed more than 210,000 individuals in jobs last year. This is more than twice the number it placed in the entire first 4 years of its life, from 1968 through 1971.

I ask unanimous consent that that article be inserted in the record at this point.

Senator MOYNIHAN. Without objection.

[The material to be furnished follows:]

[From U.S. News & World Report, July 18, 1977]

LABOR: WHEN STATES TELL PEOPLE THEY MUST WORK FOR WELFARE

Utah's "workfare" program has blazed a new trail. Now many other States are testing plans aimed at the same goal: putting people on relief to work.

The idea that able-bodied people should be required to work for their welfare money is spreading rapidly across the U.S.

One such "workfare" program attracting nationwide attention is operating smoothly in Utah.

So successful is the Utah plan in moving people off relief rolls that half a dozen other States are taking a look at it as a possible model for programs of their own. Some believe it might even be useful to the Carter Administration in its search for national welfare reforms.

Besides Utah, at least 16 States have stiffened their work requirements or added new work incentives in the last two years. A number of other States and many cities have some kind of program aimed at putting relief recipients to work. And the Federal Government's Work Incentive Program—known as WIN—is steadily stepping up its pace in finding jobs for welfare recipients.

ON THE JOB, ON THE DOLE

The Utah plan is unique in several respects. It is sterner and goes further than most other programs. It is mandatory. And it doesn't just train people for future jobs. It actually puts them to work while they are still drawing welfare payments.

In most places, such work requirements apply only to people on programs financed by State or local funds, such as "general assistance" or "direct relief."

Utah's plan applies to those who receive Aid to Families with Dependent Children (AFDC), a huge, nationwide program that draws heavily upon fed-

eral funds. Utah officials say theirs was the first work requirement approved by the Department of Health, Education, and Welfare for application to AFDC.

"Utah is the first State where people earn their welfare grants," claims the program's co-ordinator, Usher T. West.

Officially, Utah's method is called a work-experience and training program. But its training is not the usual type done in classrooms. Trainees learn to work by actually working. If private employment cannot be found for them, they are put to work for public agencies, doing jobs that are needed by State or local governments. They serve as teachers' aides in their neighborhood schools or plant trees in public parks, for example. They work three days a week but remain on the welfare rolls until they find regular jobs.

Only ill, aged or disabled persons or mothers with children under 6 years of age are exempted. All others are told to take one of the jobs offered to them or lose all or at least a part of their welfare payments.

Those who participate in the program are helped by the State to find jobs in private industry. Many are doing so.

In one six-month period, from July through December of last year, 782 people were assigned to the work program. Of that total, 311 were removed because they did not perform as required. But 11 people were hired by the sponsors who gave them their training jobs, and 218 found other kinds of employment. In addition, 109 mothers found enough work to reduce the amount of welfare funds needed to support their families.

"FEELING GREAT"

A 32-year-old mother of two children was hired recently as a full-time office worker in Salt Lake City's assistance-payments administration, the same office that handed her welfare checks for 13 years before she took job training for two years. During the instruction period, she says, "even though I was getting welfare I felt I was working for it." And now, she adds, "With my new job I am barely making ends meet. But I feel great because I am making it on my own."

Utah officials point out that communities as well as individuals benefit from the program. Some agencies, such as private nonprofit organizations that are constantly short of funds, report that the services of welfare recruits have been invaluable.

One self-help agency in Salt Lake City, for instance, had the funds to buy insulation for the homes of elderly poor people, but lacked money to hire workers to install it. Welfare trainees have been assigned to the job. Another self-help group put trainees to work repairing the homes of elderly Salt Lake City residents.

A QUESTION OF LEGALITY

Some critics charge that Utah's job-training effort is nothing more than a thinly disguised public-works program that uses under-paid welfare recipients in place of regular employes.

Legal-services lawyer Lucy Billings says she is considering filing a court suit against the program on the ground that it violates federal regulations that people cannot be required to work for their welfare payments.

It took Utah three years to get its program approved by the U.S. Department of Health, Education, and Welfare. For 18 months, HEW withheld federal contributions to Utah's program for Aid to Families with Dependent Children. It cost the State almost a million dollars to make the AFDC payments entirely from State funds. But many Utah people feel that it was well worth the cost.

Utah officials concede that their program might not work so well in other parts of the country, especially in big cities where population is denser and welfare rolls are much larger. Of Utah's nearly 1.2 million residents, only 39,000 are getting money grants of aid. Also, it is suggested, labor unions in more-industrialized States might oppose welfare people being given jobs that might be sought by union members.

But in the view of Robert W. Hatch, a field director for the Utah assistance-payments administration, public acceptance of the idea that welfare recipients should work for their money is spreading throughout the nation. Says Hatch: "I think that in time, putting welfare clients to work will become a common practice."

In fact, a trend in that direction is already apparent.

Oklahoma has a 2-year-old work-experience program that was passed by the legislature at the urging of Governor David Boren. It requires that anyone 18 or older in a family receiving Aid to Families with Dependent Children must visit the local employment office and sign up for a job that's available.

In 1975, there were 2,300 persons participating in the Oklahoma program. Many worked in State institutions, hospitals or in county offices for $5 a day to offset expenses, plus their regular AFDC checks.

"They are usually placed in jobs where they can early be trained and hopefully be picked up by the business community," says a State spokesman. Last year, more than 700 persons were placed in permanent positions outside the government.

THE RISK OF REJECTING WORK

The Texas legislature recently passed legislation to supplement the Federal Government's Work Incentive Program. Welfare recipients must register for work, and if they reject a job without a good reason, their benefits may be cut off after an administrative review.

North Carolina's legislature this year passed a law requiring welfare recipients to register for work.

As the law's sponsor, State Senator E. Lawrence Davis of Winston-Salem, explains it: A family head who fails to register is taken off the rolls. But aid to his or her children will continue as "protective payments" made through some other person or perhaps an agency, such as a church. Since the law did not take effect until July 1, it's too soon to tell how effective it will be.

A PART-TIME WORK FORCE

In the State of New York, all employable persons receiving general welfare-assistance payments have, since May 1, been required to work three days a week in a local-government agency if jobs are available.

There are about 60,000 such persons, and State Social Services Commissioner Philip Toia says: "We're hoping to develop jobs within local-government agencies for at least 30,000 of those employables within the next three months. We're hoping that, when faced with working three days a week, many will go out and get a full-time job."

One problem is that four fifths of the employables covered by the program are in New York City, where in the last two years thousands of public employes have been laid off in the city's effort to cope with a financial crisis. "I anticipate some complaints from the municipal workers' unions," says Assistant Welfare Commissioner Irwin Brooks. However, according to a *New York Daily News* poll published May 23, about 87 percent of residents in the New York metropolitan area approve of the new workfare program.

Work-for-welfare bills similar to New York's are pending in several States, including Connecticut and New Jersey.

Massachusetts is one of the States studying the Utah plan of mandatory work for heads of AFDC families. Since 1975, Massachusetts has barred all employable persons from direct relief or general-assistance rolls. The State of Rhode Island followed suit last September, cutting its relief case load by more than 20 percent.

MILLION-DOLLAR SAVINGS

Bridgeport, Conn., started last year a plan requiring employable people receiving welfare to work one or two days a week, depending on the amount of their aid. About 300 persons out of a case load of 1,300 are now working. If they fail to work for a period of two weeks, their benefits are automatically terminated.

Result: Bridgeport's case load has been cut 45 percent in a year's time, with a million-dollar reduction in the city's welfare budget.

Milwaukee County, Wis., has a locally run pay-for-work program requiring all able-bodied welfare applicants to take specially created jobs in municipal or county departments. They are paid $2 an hour for a 32-hour workweek.

One experiment being watched closely is a "supported work" program run by the Manpower Demonstration Research Corporation, a nonprofit, tax-exempt organization set up with the support of the Ford Foundation and five Federal Government agencies—principally the Department of Labor.

It has 15 projects in 13 States that provide jobs, mostly with public or nonprofit agencies, for more than 2,000 marginally employable people, including AFDC mothers. Instead of welfare checks, they get paychecks at minimum-wage rates.

A mixture of welfare funds and grants is used to finance the program. The workers will be helped to find permanent jobs in private industry once they have developed the necessary skills.

Many towns and some States have found that the administration of work-for-aid programs is too costly to justify the small numbers put to work. But the search for practicable systems goes on—and widens.

In the words of Fritz Kramer, a manpower specialist with the Labor Department: "A number of States are exploring ways to provide jobs in either the public or the private sector to get people off the welfare rolls."

Senator MOYNIHAN. If Senator Talmadge would defer, our cherished colleague and our ranking member, Senator Curtis has arrived.

Do you have a statement?

Senator CURTIS. I have no statement.

Senator MOYNIHAN. Mr. Secretary, do you have a statement?

Mr. GREEN. Yes.

Senator MOYNIHAN. Do you think it would be better to read your statement, or put it in the record and proceed directly to an exchange with the subcommittee?

Senator Talmadge has made some very important statements. It is so frequently said that nothing works in welfare reform. Here is something that works; a lot of people are working.

Would it not be useful if you just went directly to a dialog?

Mr. GREEN. That is fine. The statement is very brief.

Senator MOYNIHAN. Why do you not read your statement?

STATEMENT OF ERNEST G. GREEN, ASSISTANT SECRETARY OF LABOR FOR EMPLOYMENT AND TRAINING, ACCOMPANIED BY WILLIAM B. HEWITT, DIRECTOR OF THE OFFICE OF POLICY, EVALUATION AND RESEARCH, EMPLOYMENT AND TRAINING ADMINISTRATION, AND MERWIN S. HANS, DIRECTOR OF THE OFFICE OF WORK INCENTIVE PROGRAMS

Mr. GREEN. Mr. Chairman and members of the subcommittee, I am pleased to have this opportunity to present the Department of Labor's views on S. 1795, which would make certain programmatic changes and clarifications in the existing work incentive (WIN) program, which is authorized by title IV-C of the Social Security Act.

Accompanying me today are William B. Hewitt, Director of the Office of Policy, Evaluation and Research in the Employment and Training Administration, and Merwin S. Hans, Director of the Office of Work Incentive Programs.

As you know, at the present time, the Departments of Labor and Health, Education, and Welfare are developing welfare reform legislation, which will make major changes to the existing welfare programs as well as to their related work requirements. The President has made a commitment to deliver the legislative outline of his welfare reform proposals later this summer.

Until welfare reform becomes effective, the WIN program will continue to operate to assist Aid to Families with Dependent Children

—AFDC—recipients to obtain training, supportive services and employment, and to provide sanctions against those recipients who refuse such services or employment without good cause.

In fiscal year 1976, over 2,100,000 AFDC recipients were registered with the program, of whom about one-fifth had volunteered. Some 186,000 individuals entered full-time unsubsidized employment in that period at an average wage of $2.90 an hour. In addition, over 47,000 were placed in WIN-funded subsidized employment.

S. 1795 would make no major changes in existing WIN program operations. For the most part, it legislatively defines or clarifies existing procedures and makes certain minor changes to promote the administrative workability of the program. For example, certified WIN registrants could be required to actively seek work as part of an Intensive Manpower Services component, although no job would be guaranteed. Also, the bill would exempt from registration AFDC applicants and recipients who are already working full time. It would eliminate the 60-day counseling requirement that comes after a registrant, who has refused to participate, has had his hearing rights.

Most of the provisions contained in this proposal deal with administrative matters that the Department of Labor supported during the last administration. While such changes may be desirable from a programmatic standpoint, we would prefer to defer comment on them until we have had an opportunity to complete development of this administration's welfare reform proposals. At that time, we will be in a better position to make recommendations regarding any needed improvements that it may be desirable to make in the WIN program during the period before welfare reform is fully implemented.

Mr. Chairman, this concludes my prepared statement. At this time, I would be pleased to answer any questions that you or members of the subcommittee may have.

Senator MOYNIHAN. Thank you, Mr. Secretary.

The chairman of our committee has arrived. I wonder if he would like to make a statement?

Senator LONG. I will yield to the other Senators first.

Senator MOYNIHAN. Senator Packwood?

Senator PACKWOOD. I have no questions, Mr. Chairman.

Senator MOYNIHAN. Senator Talmadge, I believe you have questions for the Secretary?

Senator TALMADGE. I do have, Mr. Chairman.

Mr. Secretary, what is the size of the current registrant pool eligible for WIN services?

Mr. GREEN. The pool would be 2,100,000

Senator TALMADGE. What percentage of the AFDC registrant pool is currently served by WIN?

Mr. HANS. This figure would be in the range of about 25 to 30 percent of the total registrant pool that would come under active WIN services.

Senator TALMADGE. How many of these are volunteers?

Mr. HANS. The volunteer rate for all the new registrants is in the range of 20 percent. We registered slightly in excess of 1 million new registrants the first time into the program each year. Of this group, 20 percent or 200,000 are people who are not mandatory registrants.

Senator TALMADGE. What is the level of funding for WIN for fiscal years 1977 and 1978?

Mr. HANS. The 1977 and 1978 funding is level. The budget for 1978 is the same as it was for 1977.

Senator TALMADGE. What figure is that?

Mr. HANS. $365 million.

Senator TALMADGE. What have you achieved with this level of funding?

Mr. HANS. I can give you an answer through the first half of this fiscal year. We are operating at a placement rate that is now slightly in excess of 250,000 per year as compared to some of the earlier years. Based on our experience in the first half of this fiscal year we project an increase of entrant employment activity of 18 percent on top of last year's increase of about 25 percent.

Senator TALMADGE. Is it a fair statement to say, then, that the more money we spend on the WIN program, the more money we save in welfare payments?

Mr. HANS. We probably have not reached the level at which we could say that. I would say additional resources might yield a reasonable level of return.

The problem that you have here is that the further you go into the program, the higher the costs are. The people are less employable, and the number of children in families increase child care costs. We probably have not moved up to that point yet. I would hesitate to say where that point is.

Obviously, to have a mother with six children in a $2- or $3-an-hour job is not cost effective in terms of the actual return on the investment.

Senator TALMADGE. Have we saved money to date?

Mr. HANS. Yes, sir. It is my judgment that the program is cost effective.

Senator TALMADGE. What do you mean by "cost effective?"

Mr. HANS. The public expenditures would be reduced in excess of any expenditures that would be outlays as a result of the WIN program.

It is our estimate for the first 6 months of this year that approximately a $300 million reduction in public expenditures has resulted from AFDC individuals entering employment.

Senator TALMADGE. From the first 6 months of this year, we have saved to date $300 million?

Mr. HANS. The tricky thing about this is to measure what would have happened anyway. I hesitate to say that because of the WIN program you saved $300 million. We know that for the AFDC recipients who were in the WIN program and went to work, the annualized savings as a result of this action is $300 million.

Senator TALMADGE. That is the first 6 months of the total appropriation of the $365 million?

Mr. HANS. Yes.

Senator TALMADGE. We have saved to date almost $2 for every $1 we have spent. Is that a fair statement?

Mr. HANS. We do not know how much of this would have happened if we did not spend anything. That is the point that I am making. But we do know fairly closely what the savings are as a result of these individuals going to work.

Senator TALMADGE. That is Federal funds alone, not including State funds?

Mr. HANS. Public expenditures, $300 million. I will provide more complete information for the record.

[The following was subsequently supplied for the record:]

On the attached table Annualized Welfare Grant Reductions are computed by taking the State reported initial Welfare Grant Reductions, multiplying by 12 months and multiplying the resulting figure by the retention rate for that particular State.

It has been estimated that the Annualized Welfare Grant Reduction for the second year following an individual's departure from the welfare rolls or a reduced grant is discontinued by approximately 37 percent.

Attachment.

WIN-RELATED WELFARE GRANT REDUCTIONS TOGETHER WITH OTHER WIN-RELATED WELFARE SAVINGS

[Dollars in millions]

	First year			
	Annualized welfare grant reductions	Food stamp bonus reductions	Medical assistance payments reductions	Total
Fiscal year 1976	$209.4	$48.7	$83.8	$341.9
Transition quarter	80.9	18.8	27.9	127.6
Fiscal year 1977	359.6	83.6	102.9	546.1
Fiscal year 1978	410.0	95.4	106.8	612.2

Notes: Fiscal year 1978: estimates. Fiscal year 1977: Estimates based on 6 mo actual, 4 mo for medicaid. Transition quarter and fiscal year 1976: Actual.

Sources: For welfare grant reductions, NCSS 117-B. For food stamps, data derived, based on internal survey. For medical assistance, NCSS Reports B-1 and B-5. Office of Work Incentive Programs, Division of Program Planning and Review, July 1977.

Senator TALMADGE. I yield to the distinguished chairman.

Senator LONG. It seems to me that you people in the Department ought to give us at least a guess. There are all kinds of things that we do up here that are speculative. When we deal with revenue bills, we are frequently confronted with all kinds of estimates which are quite contrary to what we think. That might be because someone down there comes up with some secondary or tertiary result of something that raises the cost or reduces the cost. Those things ought to be taken into account, both on the spending end and also on the tax collecting end.

Many times something that is supposed to be a good idea is counterproductive. You ought to be able to give us an estimate, or at least a guess, as to how much money this program is saving. You ought to be able to put it on some basis. You ought to make some kind of assumption that you think is possible and give us an estimate.

To me, it is irresponsible for you not to be able to.

Mr. GREEN. We are, at this time, Senator, involved with an ongoing evaluation of the WIN program. Mr. Hewitt oversees that. We are in our final wave of interviews.

Senator LONG. The point about all of this is that we did not start the WIN program last year. We have been working on it for a long time. Implicit in the whole idea of the WIN program is you are going to take a lot of poor souls off the welfare rolls and put them into jobs. You ought to be able to give us some kind of estimate of what your program is achieving, not just say that you do not know what would have happened otherwise.

You ought to be able to have some kind of a basis for assuming, if you had not done this, that certain things would have been the case.

Mr. HANS. I can furnish you the results of a 3-year study that we have just completed which we followed a group of people who were not in the WIN program and a group of people who were in the WIN program, and the difference in performance and outcomes that took place between those two groups.

Senator MOYNIHAN. Why do you not do that? We would like to see that study.

Mr. HANS. We will furnish that for the record.

[The following was subsequently supplied for the record:]

LONGITUDINAL EVALUATION OF WIN II

The most comprehensive evaluation of the WIN program, recently completed, provides significant information on that question. The study, "The Impact of WIN II, A Longitudinal Evaluation of the Work Incentive Program," was conducted by a combination of three independent organizations (Pacific Consultants, Camil Associates, and Ketron, Inc.).

The study concludes, from tracking of the before-and-after earnings experience of a national sample of 5,300 WIN registrants in 1974–75, that the economic benefits (net earnings gains of those served by the WIN program) were greater than the program costs.

As the study report makes clear, there are various technical concerns which limit the precision of such measurement, but the magnitude of the net gains over the approximate costs appear clearly to make the program "economically cost effective." Chapter 8 of the report presents the specific estimates used for program costs ($760 for men, $1,104 for women) and the net earnings gains over time (for men, $1,020 to $1,323, for women, $1,349 to $1,873 under various assumptions about the rate at which first-year gains continue in future years and about the appropriate rates for discounting future earnings gains to present values.

One of the key unresolved concerns is the extent to which the postprogram net earnings gains of participants in the initial months after leaving the program hold up over a longer period. We are undertaking an effort to find and interview the study sample again, some 2 years later, to determine how much the initial gains continue over this longer period. Such findings should be available by mid-1978.

A brief summary of the WIN evaluation, which cites other highlights of its findings, follows.

SUMMARY OF HIGHLIGHTS OF LONGITUDINAL EVALUATION OF WIN II

This evaluation, conducted by a combination of three firms (Pacific Consultants, Camil Associates, and Ketron, Inc.), focused on WIN as it was run from mid-1974 through early 1975. Its primary goal was to determine to what extent participants experienced a net gain in their earnings and reduction in receipt of welfare payments as a result of the WIN program.

The evaluation tracked a national sample of WIN registrants at 78 WIN sites, in three waves of interviews from spring 1974 to fall 1975, to determine their preprogram and postprogram earnings and welfare benefits. The final sample was some 5,300 WIN registrants, composed of persons who received WIN services (participants) and a comparable group of registrants who received no services (nonparticipants). The difference between the earnings gains and welfare reductions of participants as compared to the comparable nonparticipants is the "net impact" of the program, that is, how much of an effect is attributable to the program.

Summary of major findings.—Without going into the various cautions and methodological limitations detailed in the report, major findings are presented below. A fuller summary is provided by the report's pages 1–9 and its "overview and conclusions" on pages 180–189.

(1) The WIN program did produce greater earnings gains for its participants than were attained by the comparable nonparticipants. The additional gain of participants in the first year after receiving WIN services was $330

to $470. Though modest in absolute size, the net gains represented increases in annual earnings of 10–25 percent for men and 30–50 percent for women.

(2) The program was "economically cost effective." The economic benefits (participants' net earnings gains) were large enough, under various "reasonable" assumptions about the rate at which they would continue but decay after the first year, to exceed the WIN program costs.

(3) However, the average impact obscures some significant distinctions by type of participant and type of service.

(a) Greater net earnings gains and cost effectiveness were achieved for those with poorer work histories. Participants who had little recent work experience achieved substantial first-year net gains ($600 for men, $675 for women) over comparable nonparticipants, while participants who had recent work experience did not do much better than comparable groups who got no WIN service (only about $190 net gain for men, $40 for women).

(b) Gains for black participants were far below net gains for whites. Black male participants did no better than comparable black male nonparticipants, while white men in the program gained $580 more in earnings than their nonparticipating counterparts. Similarly, the average net earnings gain for black women was $255, while for white women it was about $635.

(c) Net gains and cost effectiveness were quite limited for those given only placement services, but were substantially greater for participants given classroom training. Placement services yielded no net gains for men (they did no better than comparable men not given placement service), and provided net first-year gains of $230–$360 for women. By contrast, institutional training generated a net gain of up to $770 for men and $470–$620 for women. The extra gains from training were large enough to more than offset the additional costs of training, making it more cost effective even though it is more costly than placement services alone.

On-the-job training and public service employment yielded the greatest short-term net gains for participants, but most of this included the period of program subsidy. The survey followup was not long enough to provide any meaningful evidence of what the gains might be in the postsubsidy period.

(4) Net reductions in welfare payments were limited (about $165 in the first year for men, $105 for women), and there was no net increase in departure of participants from the welfare rolls. In other words, WIN participants were no more likely, on average, to leave welfare than nonparticipating registrants with similar characteristics. This is explained largely by the fact that the work incentive provisions (earnings and work expense disregard) built into the AFDC grant structure preclude welfare savings equal to earnings gains, generally providing for only a partial reduction rather than elimination of welfare payments as earnings increase.

(5) The 1973–75 recession constrained WIN performance. Net earnings were less in localities where unemployment rose sharply than in localities where it rose more modestly.

(6) Data on gross placements of WIN participants are misleading as a measure of WIN impact. They reflect WIN activities, but do not indicate to what extent WIN is producing net results beyond those likely to occur in the absence of the program.

(At the time this is written, it has not been decided whether an effort will be made to try to track the study sample's participants to determine whether and to what extent the short-term post-program findings hold up over a longer period of post-program experience. Office of Program Evaluation, OPER, Employment and Training Administration, U.S. Department of Labor, December 1976.)

Senator TALMADGE. You do state, however, that we have reduced the welfare rolls as a result of the WIN program in the first 6 months of this year by $300 million?

Mr. HANS. Yes.

Senator TALMADGE. This is only a half-year's appropriation of $365 million?

Mr. HANS. Yes.

Mr. GREEN. That is correct.

Senator TALMADGE. Mr. Green, as you know, in May of this year, Congress authorized $435 million in both fiscal years 1978 and 1979 to expand the WIN program so that the WIN program could be fully funded.

If you could achieve the level that you have with the $365 million that you told us you are achieving, why has not your Department requested the $435 million in fiscal year 1978 so that you can do more with your mandatory registrants?

Mr. GREEN. As I indicated in the statement, Senator, the entire issue of welfare reform is one for which the administration expects to have a proposal at the end of the summer. Concerning WIN, we simply will have to defer comment until that proposal is finished.

Senator TALMADGE. The problem is now. Your own testimony, you testified it is cost-effective. Welfare reform is in the future. Why do we not proceed to do something now, if it is cost-effective?

Mr. GREEN. On the 1979 budget, we are still in formulation on that. The 1978 budget holds the WIN program at its present level.

Senator TALMADGE. You would agree that this program is much more cost-effective than the public service employment, would you not, where the public pays 100 percent for a dead-end job?

Mr. GREEN. We think that public service employment serves different purposes; and secondly, we are increasing significantly the AFDC enrollment in the CETA title VI program this year. In the month of June, roughly 26 percent of the enrollment pool eligible under title VI consisted of AFDC recipients.

Senator TALMADGE. If you get 26 percent of the individuals put into public service employment, how is that going to help somebody find a job in private employment?

Mr. GREEN. The public service employment this time around is targeted to specific projects that do have transitional value, that allow people to move from the subsidized program into unsubsidized jobs. We feel that in targeting, as we are, to needed services in the community, the program will have greater transitional value between subsidized and unsubsidized employment.

Senator TALMADGE. How many WIN recipients could you place in private employment with the $435 million additional funding in fiscal year 1978 and 1979?

Mr. HANS. It would be my judgment, Senator, that we could probably move up from the 250,000 rate at the present time to a range of 450,000 to 500,000.

Senator MOYNIHAN. Double?

Mr. HANS. It could come close to doubling. That would be my guess.

Senator TALMADGE. In testimony before the Senate Appropriations Subcommittee on Labor, Health and Welfare appropriations for fiscal year 1978, you stated that the WIN program could be effectively administered if the funding were doubled.

What is your present assessment, in terms of your Department?

Mr. GREEN. We feel, as Mr. Hans has indicated, that the program is effective. Again, the budget items for 1979 have not been finalized. For 1978, the decision was to hold it at the current level.

Senator TALMADGE. Would you describe the job creation activities that have been developed under WIN, what kind of industries and businesses have been most helpful in placing WIN participants in jobs?

Mr. HANS. Seventy-five percent of WIN's enrollees are female. We follow rather generally the pattern of female employment in the labor market, although we work mightily to move this population into nontraditional types of jobs. Most of our activity is clustered in the service and clerical occupations.

Senator TALMADGE. What has been the most successful components of the WIN program from the standpoint of cost-effectiveness?

Mr. HANS. On-the-job training probably produces the most lasting results where you actually get the individual into a private sector job and in unsubsidized employment by working with that individual on the job. Our experience has shown the lasting effect of those jobs is probably better than it is in some of the other components.

We do have another component that was introduced about two years ago that we feel has been a highly effective——the intensive manpower services component—where we train individuals on how to find jobs and how to function in a job rather than training them in the skills that they must bring to the job. This is a fairly short-term, highly staffed, intensive activity, in which registrants work almost on a full-time basis with the staff of the WIN program in a referral job application and feedback type of activity.

Some of these components are achieving as high as 60 and 70 percent success with the individuals that they work with, although this would be a fairly selective group of people.

Senator TALMADGE. What percentage of persons placed in private employment by WIN are still employed after 30 days?

Mr. HANS. Seventy-seven percent.

Senator TALMADGE. Three months?

Mr. HANS. About 65 percent.

Senator TALMADGE. Six months?

Mr. HANS. From 3 months on there is relatively little attrition that takes place. There is not a heavy attrition there.

Our followups going on to the 12-month period shows that we are still above the 60-percent retention rate.

Senator TALMADGE. Your testimony is once you keep them 3 months, you can keep them permanently?

Mr. HANS. The chances are very good if you can keep a registrant on a job for a 3-month period, he or she will continue in the labor market. Registrants move into different kinds of jobs, as practically everybody does.

When we go back, we find that they are employed. They are continuing to be employed after that period of time.

Senator TALMADGE. That is in private employment, where they become taxpayers and it is permanent?

Mr. HANS. Private employment is what we are talking about here.

Senator TALMADGE. Is that not a lot better than public service jobs where the Government pays 100 percent on the dollar and it is still an object of Government subsidy?

Mr. HANS. I would have to agree with that.

Senator TALMADGE. Since the 1972 amendment, there has been considerable effort to coordinate the manpower and supportive service activities of the WIN program. Could you pinpoint for us any areas in which the activities of the welfare agencies and the employment services have proved to be particularly difficult to coordinate?

In general, in your opinion, have the efforts at coordination been successful or unsuccessful?

Mr. HANS. Since the 1972 amendments, there has been a 100-percent improvement over the earlier period. There is no question about it. The committee and the Congress made its wishes known here. The agencies have moved and are doing a good job.

The problem with both of these agencies is that they are concerned with many different kinds of applicants. To maintain focus on the employment of a group of people requires a kind of attention that I feel the WIN program and the special administrative unit in welfare agencies requires.

If you leave it to the general operation of an agency where it is everybody's business, nothing happens. At least, that has been our experience.

Senator TALMADGE. That was the reason we had to pass the 1972 amendments. We found the Labor Department going in one direction and the welfare departments going in another direction, each one issuing contradictory regulations. It was totally ineffective.

We tried to coordinate the efforts with the 1972 amendments where you would all be marching in the same squad.

Mr. HANS. You got our attention and we moved very much in that direction. There still are areas of concern, as you well know; welfare laws are heavily based in State law and there are areas where you still have conflict, in terms of achieving the objective of the WIN program. I think you also have overrides of interest with some of the recent court decisions. You are now seeing a great upswing in the number of work programs that are outside the WIN program that are functioning in a way that is different than anything we found in the earlier days.

Senator TALMADGE. Would you describe to us the employment search activities that would be carried out under WIN as well as your evaluation of their strengths and weaknesses?

Mr. HANS. The present WIN law, in fact, does not have a requirement for a recipient to actively seek work.

Senator TALMADGE. Do you not think we should require that?

Mr. HANS. It seems to me, as a matter of public policy, it should be made fairly clear that a person should be actively seeking work. At the present time, the individuals must participate, they must accept jobs that they are referred to.

We subscribe to the fact that no one, particulary mothers, must either seek work or must work unless adequate provisions of child care and transportation are available. The welfare grant is not in jeopardy if we do not meet these conditions.

The general notion of job search is one that seems to be a matter of policy that might be useful.

At the present time, we work with the individuals, we work with them through the staff, through a variety of orientation and manpower service components, to assist them to find work in their own. We encourage the welfare recipient in the WIN program to exercise this kind of initiative. It is our feeling that in many cases it is better if the individuals can find their own jobs.

Senator TALMADGE. Would you tell us the experience in the WIN program with sanctions and the 60-day counseling period?

Mr. HANS. We think the 60-day counseling period may be simply a case of too much protection.

Senator TALMADGE. Do you think it has been effective?

Mr. HANS. The 60-day counseling period is one that goes over and beyond the rest of the fair hearings that are provided for in the law. If a person is found to be not participating or having refused, without good cause, to apply for a job, to participate in training, they then may—under the law—go into a 60-day counseling period. There are 60 days where they are held harmless beyond the period at which there has been a finding in a fair hearing process. At any point in time, even on the 59th day, if they choose to, they may return to the program, simply by saying "I see the error of my ways; I now will participate," and be reinstated.

It is kind of a ping-pong game that you could get into here without any sanctions available to enforce the participation provision.

In fiscal year 1974—we have later data, but this is the data I happen to have—there were 14,000 individuals that went through the 60-day counseling. There were 3,000 of those who actually returned to the WIN program. In 1976, 25,000 registrants were in 60-day counseling.

In the regulations, there is provision for an informal period of counseling that takes place simultaneously with a fair hearings process. Our experience in operating the program would indicate that this is very adequate to be sure the individual understands what he or she is confronted with and has the opportunity to make whatever kinds of adjustment in their behavior that might be necessary before sanctions are applied.

Senator TALMADGE. How many AFDC recipients have been removed from welfare because of their failure to participate in WIN?

Mr. HANS. I do not have the figure here, Senator. We do have it.

Senator TALMADGE. Would you supply it for the record?

Mr. HANS. We will supply it.

[The following was subsequently supplied for the record:]

WIN registrants sanctioned (fiscal year 1976)

The following data are for WIN sanctions during fiscal year 1976:

Individual registrants available during the year	2, 117, 754
Letters of intent to deregister sent by manpower sponsors to registrants	50, 609
Percent of available registrants sent letters of intent to deregister	2. 39
Percent of available registrants who entered adjudication	. 14
Percent of available registrants sanctioned	1. 21
Percent of available registrants sent letters of intent to deregister who were deregistered/sanctioned	50. 92

Characteristics of WIN registrants sanctioned (fiscal year 1976)

Total	25, 820
Age:	
Under 20	3, 422
20 to 21	1, 256
22 to 24	2, 020
25 to 29	4, 685
30 to 39	8, 900
40 to 44	2, 504
45 to 54	2, 527
55 to 64	466
65 and over	39

Characteristics of WIN registrants sanctioned (fiscal year 1976)—Continued

Sex:	
Male	8,461
Female	17,358
Highest school grade:	
0 to 7	3,392
8 to 11	14,335
12	6,740
Over 12	1,352
Ethnic group:	
White	12,086
Black	11,329
American Indian	142
Other	1,242
INA	1,021
Spanish-American	4,803

Senator TALMADGE. Also, I would like to know the characteristics of these recipients. Have they been fathers, youths, or mothers? If the 60-day counseling period were repealed, would the WIN participant who refused without good cause to participate in WIN programs, or refused employment, be given any counseling or try to be persuaded to participate in the program?

Mr. HANS. Our regulations require that, yes, sir.

Senator TALMADGE. What would be the roll of the WIN program in welfare reform, when fully implemented?

Mr. GREEN. At this time, Senator, I would have to defer on that. We have not completed all of the work on our welfare reform proposal.

Senator MOYNIHAN. Would the Senator yield?

Senator TALMADGE. I yield to the distinguished chairman.

Senator MOYNIHAN. I would just like to say, Secretary Green, you will be sending to us, as we know, in the first week of August, a message from the President on welfare reform.

You very properly think of this as part of the program. It is our understanding that the President's program is designed to go into effect in 1980. That is the last information that we have had.

WIN is in effect now. We have just heard from your associate, Mr. Hans, about the amendments; 5 years made 100 percent improvement. We heard some impressive statistics.

Mr. Secretary, you will not be surprised if this committee thinks that any improvements we can make to the WIN program should be made now, because the program is going on now, and we need not wait until the 1980's to further develop something that needs to be working.

You will not be surprised by that.

Mr. GREEN. No, Mr. Chairman. We do have data indicating that the program is working. We think, obviously, that an expansion of this would be desirable in the interim. That decision has not yet been finalized.

Senator MOYNIHAN. I do not want to interrupt Senator Talmadge. The proposal is probably for a point in the distance. WIN is now; it is working now.

Thank you.

Senator TALMADGE. Thank you, Mr. Chairman, for making that point very clear.

Is there any plan to reduce WIN's staffing in the foreseeable future?

Mr. GREEN. No, Senator Talmadge.

Senator TALMADGE. Has the lack of child care been an impediment to the mothers participating in the WIN program?

Mr. HANS. Not at this time, although WIN does benefit with fairly sizable amounts of child care from title XX. The question of adequate availability may arise with some fairly substantial enrollments in the economic stimulus package. A large number of WIN and AFDC recipients will be enrolled in public service employment jobs.

Senator TALMADGE. They could arrange for child care for some of these mothers, could they not?

Mr. HANS. That is one thing that is possible. It could cause a heavy requirement for child care if large numbers of AFDC mothers do enter public service employment.

Senator TALMADGE. What kinds of child care are the most difficult to arrange?

Mr. HANS. It is difficult to answer. Work comes at all hours of the day and night, so the availability of child care is frequently difficult to arrange. We find if the youngster is sick, the child care breaks down. I guess I could not generalize on that. Most of the child care that is in WIN is not the large, institutional-type care. It is in-home care, provided by neighbors or in small groups of children.

The mothers apparently prefer this kind of arrangement.

Senator TALMADGE. A very substantial proportion of AFDC recipients are young mothers who have one or two children. These mothers of young children are allowed, under the law, to volunteer for the WIN program and receive child care services.

What kind of employment and training programs have you developed for these WIN volunteers, and which ones were most successful?

Mr. HANS. I can specifically address one. I cannot talk about its success yet, but right now we are using in several areas Job Corps centers, on a nonresidential basis, where we have training facilities established through the Job Corps to deal with the teenage person. For example, in Atlanta we have 50 teenage AFDC recipients that go on a daily basis to the Job Corps center. We have established a child care center at the Job Corps, so they bring their children with them. These are infants. The infants come with the mother. The mother participates in the training program in the center and then takes the infant and returns home at night.

I feel very strongly that the greatest potential, if we are talking about rehabilitation, the greatest potential is with the teenage mother. These are girls who have one or two children and are still at an age when learning is a part of their main focus. The peer group is still in a learning situation in many cases. It seems to me an intervention here, although it is not required under the law, is a fairly costly type of activity because you are dealing with infant care for teenage mothers. However, it is something that should be looked at very closely at some time, rather than relying upon volunteers. Something a little stronger than that might be introduced to get these youngsters into school.

I would not be in favor of just a work requirement for these young girls. They would need to continue their education, it seems to me, to gain some skills so they possibly can get a job and begin to support themselves. It would be very useful.

Mr. GREEN. Senator, also the indications are now that we would require a large expenditure on training rather than direct placement, as Job Corps does. It allows us to have educational as well as job skills training for this category of individuals. It would involve increased training activities.

Senator TALMADGE. Thank you, Mr. Chairman. I apologize to the committee for taking up so much time. I thought that some of these matters should be explored in depth.

Senator MOYNIHAN. To the contrary, if I may say so, in contrast to some other departments which shall be nameless, it appears that when you ask questions of fact, and direct them to members of the Department of Labor, you get factual answers. It has been very impressive.

Senator Long?

Senator LONG. I have to go and Chair another hearing in a few minutes. I would just like to ask a few questions now.

Mr. Green, if you can place an additional 250,000 WIN participants in private jobs with an additional 435 million for jobs funded, why would you not immediately request this funding for WIN instead of placing those individuals in public service employment under CETA?

Mr. GREEN. Mr. Chairman, as I said, the 1979 budget has not been finalized. We hope to increase the WIN program. I would want to say that for some individuals, the public service jobs would be a substantial increase in employment. As we try to develop specific programs like day care, public service employment would be involved-to develop skills there.

I think that you will find that the stimulus activity this time around will increase employability of AFDC participants substantially.

Senator LONG. As one who has backed the CETA program and helped the revenue sharing program, helped the welfare program and the social security program, it seems to me I am entitled to expect you people to have certain priorities.

For example, you ought to be willing to subsidize a job before you just pay the whole expense out of Treasury to create a job that is marginal and not really entirely necessary. That latter thing we are going to have to do to try to find employment for people.

I would think, in terms of priorities, if you could put a person into a training program and then move him into a job in private industry, that is preferable.

Before we do that, we are going to have to find child care and transportation. The Federal Government will carry the entire burden of providing the funds so that any one of these welfare mothers could help with providing day care. We ought to be willing to do the same thing in regard to transportation back and forth to these day care centers and to the place of work.

As I indicated, the President is shocked by the cost of day care. I was too when I first heard about it, until I started to think about some of the alternatives available. They want to charge us $3,000 plus

for a child. If you are going to have about three or four children for one adult in a day care center, and then you are hiring these retired school teachers or displaced teachers at $12,000 apiece, you will be up to the $3,000 cost in a hurry.

On the other hand, if you would employ a lot of these welfare mothers, they can do many of these jobs just as well, and in many cases better, because they have just as much interest in these little children. You could hire some on a part-time basis, say half-time for $6,000 rather than one of these displaced high school teachers for $12,000.

Usually the $12,000 person comes from a family where they already have one wage earner making enough money to support that family in a decent style. That day care job is a second source of income to them, while it is the only source of income to that welfare mother. If we think in those terms, we can find a lot of employment opportunities for these people who today are on welfare.

Let me ask you, why can we not guarantee to the poor priority in employment to provide the needs for their own pocket? I heard the Secretary, and I liked very much what your boss said yesterday. It was on a program called "Meet the Press." He made reference to the fact that he thought that we could find enough jobs for these poor people without stepping on the toes of organized labor or taking a job that organized labor may want for their people.

But it seems to me that the poor ought to have the first shot at providing services for themselves. Ordinarily, I would say you would not want to displace somebody who is capable of doing some work that someone in the construction or service trades could provide, but if you are talking about somebody doing repair work on their own house, or someone providing transportation services to get their own children to a day care center, or you are talking about someone working in a day care center looking after their own children, I do not think that organized labor has any case there to say that job ought to be set aside to one of their dues-paying members. Basically that gets down to a matter that is very much akin to doing your own housework, or providing your own services.

Why can we not take the view, insofar as these poor people are providing these services for themselves, or for their own group, that they are entitled to the first claim?

Mr. GREEN. Those are many of the activities that we think are viable as jobs. Under the present public service program a number of weatherization projects are using low income people to do the repairs for those who are elderly or poor.

One of the projects has to do with providing food, buying it in a co-op arrangement. A county out in California provides transportation to this particular jurisdiction for the elderly to obtain their food at a reduced rate. The transportation and buying of it is handled by AFDC participants.

Senator LONG. You approve of that general concept, I take it?

Mr. GREEN. Yes.

Senator LONG. Did you want to add something to that?

Mr. HANS. We have been looking, Senator, at the potential of job creation just in the child care industry and it runs into very sizable numbers.

If you provide the necessary support, necessary capital expenditure for remodeling or transportation or vehicles, that sort of thing, for fairly large numbers, you could probably run up close to 200,000 employment opportunities in the public sector. This would be just caring for children in the communities, children of other people who are working.

It is our opinion if it is properly organized that this does present a good deal of opportunity. This is not the Department of Labor's primary area of expertise, but we are very interested in it.

Senator LONG. We ought to look at the whole thing as though we were all on the same team. It seems to me that a good program could absorb about one-third of these mothers in child care alone. That would drastically reduce the number of people on the welfare rolls.

When you can provide adequate child care for the mothers, that then frees those who want to work to turn to and take some other jobs, does it not?

Mr. HANS. One of the real problems, of course, is the mother who is working, at the outset gets subsidized child care, then no longer qualifies for that care as she increases her earnings, so she just falls out of the subsidized area. It is important that there should be adequate child care for the working mother, not just the AFDC recipient. There are a large number of mothers working at $6,000, $8,000, $9,000 jobs. Those people cannot afford to pay large sums of money for child care. We have to look very closely at not only getting this population employed, but also what kinds of things we have to do to retain that employment.

Child care is certainly the critical factor there.

Senator LONG. We have got to get that cost down below $3,000 to provide child care for a single child. We were looking at this on other occasions. Compared with that cost, one of the secretaries in my office had to support her family while her husband was ill and her mother was on her deathbed, and her daughter was working at that point to help, and doing very well. They were all out working. When there was talk about $3,000 a year for child care, her reaction was that for $125 a month you can get fully adequate child care right here in the District area. That is what she had done, and what her daughter was doing. They were not what you would call a low-income family; they were an upper-middle-income family, mainly because they were out working.

We have seen the startling facts that a higher percentage of mothers work in middle-income families than lower-income families. I could not understand it at first. After awhile I discovered that this is why they are middle-income families—because mama is out working, adding to the income of the family.

I know I for one think we ought to be sure we are on the right track. The question is, if we can do enough good to justify the expenditure. I for one feel that if we are not on the right track, we should look at this program when it comes down here before we commit ourselves all the way to it.

The President has indicated that any major welfare reform program may well take some time to put into effect. In the meantime, there are a number of States who are interested in experimenting with work programs for welfare recipients.

Would you support an amendment making it easier for States to carry out these kinds of demonstration work programs?

Mr. GREEN. As Secretary Marshall has indicated, we are interestd in some demonstration projects in localities around the country that would take the concept of providing adequate day care and other supportive programs. We expect to be able to soon announce some ten locations around the country where we would move forward with it.

Senator LONG. I have been urging that you do that kind of thing. It seems to me that the big key to having a good program is to make work more attractive than welfare. In other words, we ought to have a work program under which people will turn to and do what is being asked of them. They will not be living in poverty. They will be getting along above the poverty line.

You are going to have difficulty getting people to do that if you have a program that pays people not to work, that is so generous that there is really not much advantage to working. Did you see a letter a mother wrote to the Evening Star over the week-end, talking about how little incentive there was and how little she had to gain by taking a job? I think she was talking about a $6,000-plus job a year compared to what the benefits were in housing and that type of thing for a mother with four children.

Mr. GREEN. I did not see the letter.

Senator LONG. I would commend it to you. Get it and read it.

That type of frustration is what we should avoid. It seems to me we have to avoid it two ways. One of them is going to have to be by making the job pay more. I know there is some sympathy in your Department on expanding on what I have been trying to do with the earned income credit. We ought to move it up to where you are measuring it against a $3,000 annual wage instead of a $4,000 annual wage. That would increase it.

In addition to that, social security taxes alone are 12 percent. This started to be a program to say if you are not making enough money to pay income tax, we do not think you ought to be paying us any social security tax. So if you work from that basis, you could talk about 12 percent of $6,000 instead of 10 percent of $4,000 due to the minimum wage going up.

One of your people pointed out to me that we might also take into account the unemployment insurance taxes that are assessed against that level of payroll. You might go higher than 12 percent.

If you get the earned income credit up to somewhere between $700 and $900, you make it far more effective, far more attractive, and make more people interested to come in and apply for it who otherwise would just let the opportunity pass.

Furthermore, I had a chance to discuss with Mr. Marshall in your presence that we ought to be able to find a way to get the credit to these people immediately rather than having to wait until the end of the year. We ought to work it out that they get this earned income credit paid to them either directly by the employer or as an immediate refund from the Treasury. We have somebody on our staff working on it. I hope you have somebody working in your Department on how that could be done.

Mr. GREEN. We do. At this point, we are exploring the possibility of making that payment on a quarterly basis.

Senator LONG. Mr. Stern on our staff, a very bright young man, in my opinion, has been working on an approach where an employer would simply make the payment to the employee, at least for 12 percent, which would be the amount of the social security tax, and he would pay it immediately as part of the paycheck.

We are talking about people who need the money. The sooner they get it, the better off they are going to be. I would commend Mr. Stern to you; if you get in touch with him and explore his thoughts, add yours to them. We ought to be moving as quickly as we can to improve the condition of these people.

A successful program is going to have several facets to it, not just one overall thing. There are certain parts you have to do in providing employment opportunity and parts we have to do in providing child care and providing transportation, providing tax advantages. We ought to be testing out parts of this program rather than jump into it with a whole shift from midnight to noonday sun.

We need to try parts out and see how they work. I would like very much for you and those who are associated with you to work on parts of the program. It will cooperate and encourage not only experimentation in the Federal area, but it will encourage the States to do some things that they think would make a better program.

If we have something that is working and in place, I do not think we would have any difficulty selling it. When you come in with a whole lot of untried ideas that you think might work, the doubting Thomases say, just a minute, I do not think that will work at all, I think it is going to work just the opposite from what you intended. That is why programs fail, Mr. Green.

I think you should cooperate with us in testing out things that might work up to the point that we put into effect a program that you can recommend.

We ought to be cooperating with you along the same lines. I am happy to see you are going to be doing some experiments in providing jobs. I hope your Department will recommend and cooperate in letting the States see what they can do in trying to put some people to work and improve their condition.

Mr. GREEN. We will, Senator. As Secretary Marshall indicated a number of times, we certainly want to have a jobs program where it is more attractive for people to work than for people not to work, and to supply things that are of benefit to their area and to them in terms of skills. The demonstration projects will address those principles.

Thank you very much.

Senator MOYNIHAN. Thank you, Mr. Chairman.

As Chairman Long knows, and Senator Talmadge, Secretary Green comes to this committee with a record of taking people who want to work and finding jobs for them. That is what his career has consisted of until now. There is not the slightest suggestion of anything but that he is continuing it on a national scale. We are grateful to you for that.

Thank you for coming and bringing your associates, Mr. Hans and Mr. Hewitt. Mr. Secretary, we have learned from you this morning. But we think we are going to hear some more things, get some facts from you, especially the 3-year study.

Mr. Hans agreed that you are responsible for the WIN program. Certainly it is my impression it has made some very positive achievements.

I was Assistant Secretary of Labor at the time the Manpower Development and Training Act was passed in 1962. Not every aspect of that has been as successful as we had hoped, but WIN seems to be working.

I thank you, Mr. Secretary, and thank the gentlemen.

May I ask if Congressman Miller is in the audience?

If not, may I ask if Miss Skinner from the Georgia Department of Human Resources is here?

In that case, would you come forward? We had scheduled Congressman Miller for 10:00 o'clock. You are here. I believe you wish to present some testimony on the WIN program. We welcome you, Miss Skinner.

I wonder if Senator Talmadge would like to make a statement?

Senator TALMADGE. It is a real pleasure for me, Mr. Chairman, to welcome Miss Ellen Skinner to our committee. She has done an outstanding job with the Department of Human resources in Georgia. She is a strong supporter of the WIN program.

In our State, they are trying to make it work and have made it work.

Senator MOYNIHAN. That State of your does the most amazing things. All kinds of things come out of Georgia. You are most welcome.

Would you like to make a statement?

Ms. SKINNER. I have a statement that I would like to put into the record. I would just like to make some casual comments.

Senator MOYNIHAN. Please do.

STATEMENT OF ELLEN SKINNER, CHIEF, WORK INCENTIVE PROGRAM SERVICES UNIT, GEORGIA DEPARTMENT OF HUMAN RESOURCES

Ms. SKINNER. First of all, I want to say we like WIN for a number of reasons. Mainly, it was the first real opportunity that our department—I am on the social services side of things with human resources—had to do something really significant in the area of self-support.

We liked the changes that were brought about in the Talmadge amendments. I think that even prior to that time in our State welfare and labor were cooperating—not as well as we could have been, but the 1972 amendments strengthened the program very much.

I do not think that there is a whole lot that is technically wrong with the legislation. I think with some administrative changes and some tightening up of the program, the program will work even better than it does.

In the testimony prepared for you, there is an attachment that gives some of Georgia's statistical success stories. We feel that WIN works for a number of reasons. We have had commitments in our agency from top to bottom to find jobs for recipients. When that happens, WIN not only works, but it works well.

We have had some very good help. The funding, that 90–10 percentage, always makes a difference. It allowed us to do some things. We were able to get good consultation. We used people from our own State who knew our State, knew our problems and were able to help us a great deal. We decided that there were two areas where we really had to concentrate. The Labor Department, of course, was responsible for job development and placement; we, supportive services. We saw child care as our major difficulty, particularly in the rural areas, so we concentrated our effort and our consultation time on developing and providing adequate child care.

It is not easy, as the gentleman who preceded me said. Uneven work hours, night hours, swing shifts, when day care centers are not open, make it very difficult for workers and parents to provide adequate care for WIN children.

We have concentrated in that area. We are hoping in the next few months to begin a special project. I was very interested in your encouraging us to try things and to develop models and test them out, specifically Senator Long's comments.

We are going to try a rural employment project in Georgia, if we can get the funding that we are proposing. We are going to see if we can train AFDC mothers in rural areas to provide family day care so other WIN mothers are free to work.

We are going to do this with a satellite concept, using an existing day care center to provide staff services and training. These people will then work as family day care mothers.

In addition to that, we are going to do some fairly intensive work with developing jobs in rural areas. WIN has worked quite well in our State in the urban areas where there is a large job market. We do not want people leaving our rural areas because they cannot work and because of poverty situations that are intolerable.

We are hoping with some good help and Federal money that we are asking for that we are going to find ways to improve situations in rural areas.

I think also that we have to say there are a couple of problems with WIN. We have large numbers of registrants, many more than we have jobs for. I certainly agree with what each of you said this morning about the use of on-the-job training rather than public service employment. One of WIN's biggest criticisms is that it has relied too heavily on PSE. Sometimes that is the only thing available; the only time it should be used is when that is true.

I think both of our agencies have to be much more aggressive in developing the capability of the private business sector to deal with the AFDC recipient. WIN has proved that they can work. They want to work in Georgia; 40 percent of our registrants are voluntary, which says a lot about the program, I think.

In Georgia, we mainly have AFDC recipients who are female heads of households. Many are minority. They do want to work, they volunteer to work. Our retention rate is over 75 percent.

I do not know what more you can say.

Senator MOYNIHAN. Would you repeat that? I did not hear that last number.

Ms. SKINNER. Seventy-five percent.

Senator MOYNIHAN. Is that not an impressive figure?

Ms. SKINNER. It can work. I think in States where it does not work it has not been given either the economic or administrative support that it needs. There is nothing wrong with the WIN legislation. It simply needs to be tightened up.

I certainly hope in deliberations about welfare reform that we will not lose sight, as you indicated earlier, that we have something here that is working. It needs to be strengthened; it needs to be cleaned up from time to time, but it does not need to be scrapped.

WIN is a very good program, and I could talk all day about it.

Do you have questions, Senator Talmadge?

Senator TALMADGE. Miss Skinner, would you please give me the cost-effectiveness of the program as it relates to Georgia?

In other words, if you spend $10 on the WIN program, how many dollars of the Federal and State tax money can you save?

Ms. SKINNER. I am happy to tell you, Senator Talmadge, for fiscal 1977 our projection is that the welfare savings in Georgia will be over $5.3 million.

Senator TALMADGE. $5.3 million?

Ms. SKINNER. Well over that in savings.

Our expenditures will be just about the same amount, so I cannot say we are saving a tremendous amount of money right now. We do have one problem with the system—the way the welfare grant reductions are reported. I think the savings are considerably higher than this.

We have an internal problem of reporting welfare grant reductions. My gut level feeling after the first half of fiscal 1977 in Georgia is that it is going to be cost-effective.

Senator TALMADGE. What you testified to, as I understood, it is at a breakeven point in Georgia on expenditures?

Ms. SKINNER. Reported expenditures and reported grant reductions. We are convinced that our savings are at least 30 percent underreported.

Senator TALMADGE. You think there is a 30-percent gain over and above expenditures in Georgia?

Ms. SKINNER. I believe there will be, yes, in 1977.

Senator MOYNIHAN. There is work being done. People are working who were not working.

Senator TALMADGE. That is the next question I was going to ask. You are making self-respecting citizens out of people who were otherwise recipients of welfare and giving them some feeling of pride and making taxpayers out of them.

Ms. SKINNER. I am very glad you said that. Too often WIN is solely judged on whether or not we reduce welfare grants. It has been very important in ways beyond that to the family, to the individual who goes to work. I personally think that if you can do something about the economic stability of the family, you can prevent the disintegration of the family and perhaps reduce the incidence of child abuse and neglect.

That is less likely, and the need for protective services and foster care may be reduced if we can do something about economic stability.

It is difficult when you are dealing with an all-female population,

as most of our registrant pool is, when there is still some prejudice about hiring women, hiring blacks and other minorities. But in spite of these difficulties, and I think we all have to agree that fiscal 1976 and 1977 were not the happiest economic years, we are still quite successful. I think that is to be commended.

Senator TALMADGE. Thank you, Miss Skinner, for an excellent statement.

Senator MOYNIHAN. Miss Skinner, I have one question, which is, very simply, if there was somewhat more WIN money available to Georgia, could you use it?

Ms. SKINNER. Are you kidding? Yes.

Senator MOYNIHAN. Could you use it at a level of cost-effectiveness? I am sorry about that word, but you are in Washington.

Ms. SKINNER. It is a tacky word.

Senator MOYNIHAN. Can you help people with it?

Ms. SKINNER. I think so. You have to realize that programs such as this that require a great State effort also are constrained by State policies and State organizations. Anybody in the room would probably agree with that. I certainly think that additional funding could bring additional results, particularly in the effort of utilizing and increasing the utilization of the private sector. That is where WIN is the weakest.

Senator MOYNIHAN. Miss Skinner, thank you very much for coming here. You have spoken with a touch of reality on what you have reported to us. We are very much impressed by your comments. The committee will find them of importance, not the least because the second most senior member of this committee is your disinguished Senator.

Ms. SKINNER. We are very proud of that also.

Senator MOYNIHAN. I am sure you are. Thank you, Miss Skinner.

[The prepared statement of Ms. Skinner follows:]

PREPARED STATEMENT OF ELLEN SKINNER, CHIEF, WIN SERVICES UNIT, GEORGIA DEPARTMENT OF HUMAN RESOURCES

The Work Incentive Program was the first Federally supported effort of the states to coordinate training and employment programs and social services to enable applicants and recipients of Aid to Families with Dependent Children to enter employment. It has experienced steady growth and increased productivity despite considerable economic, administrative and regulatory difficulties. Nationwide statistics collected by the National WIN Office and reported on June 13, 1977, reveal that in the first half of FY '77 125,000 WIN registrants entered employment—an 18 percent increase over the same period in FY '76. Assuming the same level of activity for the second half of the year, 250,000 people will enter jobs as a result of the WIN Program. Forty-six (46) percent will leave welfare rolls entirely—meaning that 115,000 families (more than 250,000 individuals) will be removed from public assistance. This becomes even more significant data when parallel reductions in medical insurance and food stamp benefits, in public housing costs, and in the costs of subsidizes social services are considered. The real impact goes beyond savings and is reflected in a positive economic role for persons who were totally or partially dependent. In simple terms this means that clients are now purchasing goods and services by paying taxes. These are formidable statistics particularly for a period which can at best be described as less than economically healthy.

Welfare grant reductions are often seen as the sole measure of WIN's effectiveness. Annualized reductions for FY '77 will exceed $350 million; total pro-

gram expenditures for DHEW and DOL will not exceed $338 million. The State of Georgia alone will realize over $5½ million in welfare savings in FY '77—more than double the savings in FY '76. However, WIN's success must also be judged on the impact it has on individuals and families. There is untested but generally assumed evidence that programs such as this enhance the psychological and emotional well being of recipients. Self-motivation, confidence and assertiveness are primary outcomes. Efforts to improve the economic stability of AFDC individuals and families help to prevent family disintegration brought on by joblessness and underemployment. These efforts may in fact reduce the need for protective services and foster care if disintegration is prevented and the potential for child abuse and neglect is lessened.

Despite quite impressive recent accomplishments and achievements the Program still has serious shortcomings. Its dilemmas are well known and have been microscopically examined by studies, surveys, and fiscal and programmatic reviews. These examinations during the first decade of WIN's life have resulted in major program changes. While each of these may have ultimately strengthened service capabilities, each also necessitated rather extensive overhauling operations. These drastically affected state and local organizations charged with administration and implementation of the changes. In Georgia the program began in five urban areas in 1969; it was expanded to include five additional areas in 1970–71 with no significant numbers of staff added in either agency to handle this new approach to AFDC unemployment. In 1972 Georgia implemented the Talmadge Amendments which expanded the program statewide and resulted in major changes in funding and organizational structure. In March of 1976 a major revision in procedures and organization was mandated in joint DOL/DHEW program regulations.

Each of these progressions taxed the State agencies' abilities to adequately plan and budget, to allocate and train staff, to write and print instructional materials and more importantly to provide consistent services to AFDC applicants and recipients. One example of this frustrating process was the publication on September 18, 1974, of the proposed regulations for WIN Redesign. Final regulations were not agreed on for over 12 months, becoming effective March 16, 1976. Several state budget cycles had come and gone while the two central offices tried to reconcile their differences; therefore, meaningful fiscal planning was impossible.

When finally published, the regulations seriously complicated the basic program design outlined in the legislation. The mechanics of registration and certification became difficult paper exercises and caused undue travel and agency contacts for AFDC applicants and recipients. Many states had to develop itinerant staff schedules to accomplish registration because DOL field offices were not centrally located or easily accessible. Complicated scheduling schemes had to be coordinated so that income maintenance, social service and employment service staff duties could be accomplished. There was little possibility for clients' immediate exposure to jobs or placements in such a system, and the determination of eligibility for AFDC benefits was frequently delayed. More time was spent on paper activities with less time devoted to job development and welfare benefits and services.

In Georgia there has never been an accurate indication of welfare savings resulting from WIN job placements. Budget revisions are frequently effective months after registrants actually go to work, and some are simply never reported. These problems are due to inadequate numbers of income mantenance staff, large caseloads and complicated budgeting and reporting procedures.

The private sector has never been fully utilized as a source of employment for AFDC recipients in the Work Incentive Program. Complex contracting procedures and employer concerns about too much monitoring and disruption of the work site discourage the private business sector. DOL never aggressively sought to improve this situation and public service employment became an easy alternative although there were fewer chances for long-term unsubsidized employment following PSE.

While it is my opinion that the basic legislation is sound and workable, minor legislative changes could be beneficial. Registration requirements warrant examination and possible revision in light of current economic conditions. The highly competitive job market seems to make the mandatory registration of large numbers of persons somewhat unrealistic. For example, time spent registering and developing jobs or training opportunities for pregnant women

under 19 could be more efficiently spent on the same activities to employ persons who could be expected to have an uninterrupted work experience. It also seems a waste of time and energy for persons who are working fulltime to come into an agency to be registered. This usually requires permission to leave the job and frequently means a loss of work time and wages. In our State approximately one-fourth (¼) of the AFDC adult recipients are employed, so this is a considerable problem. Since forty (40) percent of Georgia's registrants are volunteers, it is important for employment-related services to be available to this group. Eliminating unnecessary registrations would make more time available to volunteers who are generally well-motivated and have more recent educational experience.

Both the language of the legislation and DHEW/DOL guidelines allow too much flexibility in the utilization of WIN funds by States. This has frequently resulted in WIN allocations being spread over large numbers of staff who have multiple duties with WIN usually a minor responsibility. It seems apparent that the Program would benefit from a staffing requirement that mandates complete utilization of funds for fulltime self-support activities. In our Region agencies are allowed and encouraged to integrate staff services as long as a cost allocation plan is followed. This results in DOL/WIN funds financing staff members who process Food Stamp work registrations and Unemployment Insurance claims and perform general Employment Services duties in addition to WIN functions. Welfare/WIN funds fare no better. Complex county/state administrative structures allow a combination of duties ranging from foster care and adoption to adult protective services along with WIN support services responsibilities. Therefore, neither agency in our state actually realizes the full benefits of the advantageous 90/10 funding ratio.

In those instances where the organizational structure and commitments of the State agencies have allowed for adequate staff time and inter-agency coordination, the Work Incentive Program has met its objectives. When client assessments occur in a timely manner and clients are provided on-the-job training or immediate employment opportunities along with needed support services, they can move steadily through the steps toward economic independence. This happens often enough for me to believe that the basic design and intentions of the WIN legislation are sound and worth retaining. I do feel that in Georgia the two major agencies responsible for WIN administration have been remiss. DOL has been traditionally oriented toward the employer and has done little to prepare staff for dealing with the employment needs of low-income individuals—particularly minority women who are heads of households. The social service agency with its traditional child welfare service background is equally unprepared to devise and deliver self-support services.

Criticism can also be leveled at the Congress and the national offices of DHEW and DOL. For whatever reason, there was little if any joint planning or coordination when other major legislation was drafted and implemented. A notable example is the Title XX Amendments to the Social Security Act. Self-support is identified as the number one national goal toward which Title XX-supported services should be directed. Nevertheless, little emphasis was given in Title XX to employment-related activities or family services which would enhance its relationship to those activities financed through WIN funds. Again the traditional activities of child placement and protection became higher priorities and little was done to develop service capabilities to prevent family break-up and disintegration.

On Labor's side the Comprehensive Employment and Training Act (CETA) set up mechanisms for manpower services through local sponsors which in many areas were in direct competition with WIN and other employment programs. It would appear that funds were used to finance on-going expenses of the sponsors and not for aggressive job development for the poor. Clients sometimes found themselves in a tug of war trying to find the most advantageous incentive payments offered by various programs. When coordination was accomplished and clients were jointly served by both programs, it was frequently impossible to get information to effectively track client movement, determine the need for continued support services and measure progress toward the client's employability goal. The recent expansion of public service employment funds through CETA Title VI was heralded as a coordinated

CETA/WIN/Title XX exercise. Up to this point in Georgia it has been just an exercise. Title XX funds were already allocated and little response is possible if service demands actually increase for CETA. Prime Sponsors have been very slow in approving proposals and have taken little interest in working with WIN or welfare agencies to employ AFDC recipients although there is a strict requirement for serving the low-income unemployed. Next to nothing has been done to develop jobs which the AFDC population can be reasonably expected to fill.

I am convinced that WIN provides a useful mechanism for dealing with AFDC recipients who need and want to work. WIN's track record provides some clear indications that: (1) AFDC recipients want to work—evidenced by the large number of exempt clients who voluntarily register for the Program, (2) AFDC recipients can work—evidenced by a national employment retention rate of over 70% one year after entering employment, and (3) employability programs can be cost effective—evidenced by the ratio of recent welfare savings to program expenditures.

I strongly support a work requirement as part of any welfare reform proposal. I also feel that it is imperative for any reform to allow the participation of recipients in job-related training and other services as early as possible in their welfare history. Equally important are those provisions which make available adequate care, protection and development of children whose parents must work or choose to do so.

Finally, in keeping with my views about the positive aspects of the Work Incentive Program, and notwithstanding its difficulties, I urge the Congress to retain WIN in its present basic format. As I have indicated, with some relatively minor adjustments this format can provide a model for accomplishing the work requirements of welfare reform.

STATISTICAL DATA, WORK INCENTIVE PROGRAM, STATE OF GEORGIA

	Fiscal year 197	Fiscal year 1977 (through May 31, 1977)
Total number of AFDC recipients registered	69,178	51,818
Total number of WIN placements	[1] 7,925	[2] 4,903
Amount of annualized welfare grant reductions (millions)	$2.9	[3] $5.3
Number of families removed from AFDC as result of WIN job placements	1.892	[3] 3,600

[1] 75 pct retention rate.
[2] 73 pct retention rate.
[3] Projected for full fiscal year.

Senator MOYNIHAN. Has Congressman Miller arrived yet?

Lieutenant Governor O'Neill, if you would come forward, we welcome you to this committee. We welcome you and now we turn to another area of the legislation before us which is H.R. 7200.

Congressman Miller, who has been much involved with this, is on his way, and he will be our next witness.

We are very honored to have before us on behalf of the National Governor's Conference, Hon. Thomas P. O'Neill, III, who is Lieutenant Governor of the Commowealth of Massachusetts.

Good morning.

STATEMENT OF HON. THOMAS P. O'NEILL III, LIEUTENANT GOVERNOR OF MASSACHUSETTS, ON BEHALF OF NATIONAL GOVERNORS' CONFERENCE

Mr. O'NEILL. Good morning Mr. Chairman and Senator Talmadge. It is good to be in your company. I am pleased to have the opportunity to appear before your committee this morning, representing not only

the people of the Commonwealth of Massachusetts but, as already mentioned, the National Governors Conference, and to have the opportunity to talk about H.R. 7200 and S. 1782, offered by you, Mr. Chairman, to ease the burden of high welfare costs on State and local governments. We think these are two vitally needed pieces of legislation.

There is ample evidence of the need among State and local governments for relief from the ever increasing cost of welfare programs. I need not recite the entire litany here since it is quite familiar to you. The cost of welfare has risen dramatically in the very States who have suffered the greatest erosion of their tax base during the recent recession. Despite our best efforts to improve the management of the program, and to control costs without causing harm to those who need help, the cost has simply outstripped the ability of our state and local tax base to pay the bill.

Fiscal relief is not an issue that can be readily isolated from the broader context of welfare reform. It is not a substitute for the comprehensive, structural reforms we need so desperately. But broad changes will take time to design, debate and implement, time that States like Massachusetts simply do not have. I know that once the administration submits its proposals in August, there will be ample opportunity to debate the merits and directions of structural reforms. Until then, changes consistent with the thrust of comprehensive changes can be made to offer the assistance that many State and local governments need now.

Fiscal relief is one such change. Massachusetts spent $233 million in fiscal 1974 for AFDC. The average caseload was just under 92,000 families. In fiscal 1975, expenditures reached $406 million. And in fiscal 1978 we have projected expenditures of $491 million to an estimated 123,000 families. That is a 52 percent increase over fiscal 1974 costs.

Over the past year, Massachusetts has streamlined the administration of the AFDC program. The State has implemented computer file matches with unemployment compensation, veteran's benefits and social security programs. We have instituted a client response system and computer generated lists of cases that receive priority redetermination. Together, these steps have saved $10 million in welfare costs.

In addition, HEW has recently released information which shows that States have made significant progress in reducing errors in the AFDC program. The release indicates that the error rate in Massachusetts has declined from over 50 percent to 28 percent in a 3-year period. As a result, the State has saved $23 million. In New York, Mr. Chairman, the savings have amounted to $373 million.

Our savings are due in part to improvements I have already mentioned. We have also simplified our administrative procedures and adopted a consolidated grant in place of the previous "special needs" system which was highly error prone.

States have taken the administration of welfare programs very seriously. We are eager to improve the integrity of these programs to see that only those who are supposed to receive help actually get it.

The most dramatic increases in our caseloads have occurred in the

State's unemployed father program. In July of 1975, there were but 3,589 families in this program. The peak was reached in March of this year when over 6,500 families received benefits. Since March, through more persistent efforts to find jobs for unemployed fathers, the caseload has begun a steady decline to its present level of 5,600 families.

Startled by the growth of the program, Governor Dukakis initiated several programs to put people in jobs rather than a welfare line. We have started a program that provides job counseling and referral services for those applying for the unemployed fathers program.

In a 4-month period, 2,100 fathers were placed in private sector jobs and 400 were placed in CETA positions. Since passage of the economic stimulus package, 25 percent of those hired under title VI of CETA have been welfare recipients, and we expect this percentage will increase as the hiring process continues.

Placement of recipients requires a fairly extensive knowledge of the work history and skills of those applying for benefits, and a match with the jobs that are available both in the private sector and CETA. We were somewhat surprised to learn that most unemployed fathers were rather young—80 percent are under 40, 74 percent have some high school education. Over 90 percent have held at least a part-time job. But 31 percent have been on welfare at least 2 years and 34 percent have not worked in the last 4 years.

A better knowledge of our clients has helped efforts to find jobs for people. We have also placed staff from the Division of Employment Security in the same offices as our WIN teams to facilitate paperwork and referrals.

Massachusetts has also embarked on a unique effort to create jobs that will endure long after the government subsidy whether a tax credit or public service slot, ends. The idea is an extension of the supported work concept. It would allow the diversion of transfer payments to an employer for a limited period of time. Nonprofit corporations or existing businesses would be used to create new markets or expand existing ones. The corporation would employ welfare recipients and receive an amount equal to that saved when a welfare recipient goes to work as a temporary wage subsidy. An initial grant would assist the capitalization of the business.

To receive funding, an expanding company or a new nonprofit agency would have to show that it cannot obtain regular financing because the initial yield on investment fails to attract private capital. It must also serve a previously unserved or underserved market and the goods and services produced must not displace existing jobs.

The enterprise becomes self-sustaining through the accumulation of income. It must also agree to assure the job retention and promotional opportunities of those welfare recipients hired by the company.

Mr. Chairman, our planning process for this program is nearly completed. It is a very exciting concept and deserves a trial. Our ability to proceed depends upon approval of a waiver by HEW and the linking of initial funding sources such as the Public Works Act and others.

Our efforts, and those of other States, would be greatly improved by the provision of additional funding for demonstration programs

designed to employ welfare recipients, and changes in the waiver process. In place of the existing section 1115 process, I propose that States be allowed to submit a plan showing how it will create employment and training programs for welfare recipients, and the way in which these programs will comply with broad goals and standards set by the Federal Government.

I will be happy to supply the committee with more detailed material describing our planning efforts.

Mr. Chairman, I believe the increased drain on shrinking state revenues and the steps States have taken to help themselves, warrant the adoption of S. 1782 and support for innovative employment projects I have described.

Mr. Chairman, as important as fiscal relief is to the States, its consideration today must not detract from the importance of child welfare and social service amendments included in H.R. 7200. Massachusetts and the National Governors' Conference have worked hard for the improvements contained in this bill.

Both the conference and my own State recommend the following:

First, the $200 million increase in the title XX ceiling should be made permanent. In addition, States, providers and recipients need the assurance that existing programs will not be eroded due to future inflationary pressure. We strongly urge, therefore, that a provision for multiyear increases in the Federal spending ceiling be included in this legislation. There has not been an increase in the social services ceiling in 5 years. Although some States have not used their full allocation each year, title XX allows for no reallotment of unused funds. Many States have been bumping against that ceiling, pushed by intense inflationary pressures and demand for new services. States, providers and recipients, must have the assurance that inflation will not be allowed to diminish services in the future.

The Governors also urge that a number of temporary provisions in Public Law 94–101 be made permanent, including:

(1) Waivers of staffing standards in day care centers with only a small percentage of title XX children; and

(2) Provisions which allow States to make grants to encourage the hiring of welfare recipients in day care centers.

I welcome the support of the President and Secretary Califano for improvements in foster care, adoption and other child welfare services. While the conference may not fully agree with the administration's testimony, the differences are not great.

The National Governors' Conference strongly supports the full funding of title IV–B and the maintenance of child welfare services as a separate program. Our experience shows that, wherever possible, children are better served in their own homes. When a crisis erupts, intervention services are not sufficient to prevent the separation of a child from his or her parents and foster care becomes the first line of defense.

H.R. 7200 takes steps to resolve this dilemma. The Federal child welfare program must be strengthened. The changes supported by the Governors' Conference will shape the program in a direction that states are already heading, but need added support to make our goals a reality.

The bill before you strengthens child welfare services in three important areas. First, it encourages the development of preventive services by targeting the additional $209 million to programs that will prevent children from entering foster care.

The child welfare program in Massachusetts currently serves 10,000 children in foster care and group care. In addition, the program provides services to 3,000 children and their families in their own homes. We have initiated a variety of efforts to help secure permanent placements for many children in foster homes. We have increased placement of so-called "hard to place" children in adoptive homes.

Some of these placements were made possible by adoption subsidies. Massachusetts has approved subsidies for 565 children in the last 2 years, at an annual cost of $560,000 not including medical expenses. In the last 3 months a special program has found adoptive placements for 45 special needs children.

Despite our successes, there are over 100 children in institutions who are ready for community placements. None are available. And 60 percent of the children in foster care have been there for more than 3 years. It is these children that concern me. If plans to return a child to his or her family have not materialized in 2 years, then in the interests of finding permanent homes for children, referral for adoption should be instituted.

In the past year, Massachusetts has received 3,000 reports of child abuse. Clearly, our protective services to abused, neglected and abandoned children must be expanded.

In keeping with the preventive focus of the bill, the state is developing services that provide early interventions for children designated as "children in need of service."

Massachusetts and many other States have excellent plans on the drawing boards to bring stability and permanence to the lives of those who languish unnecessarily in foster care. But we need help from the Federal Government to put them in place. It is not a case of our unwillingness to act, or ignorance about the dangers of long-term foster care, but a lack of money.

Therefore, I do not think it is necessary for additional Federal funds to be packaged in a whole new set of strings, conditions, assurances and regulations. Rather, give us the parameters and purposes of the funding. Federal monitoring will see that the money is properly spent. We can do the rest.

Full funding will allow us to move toward the goals of the bill. Unfortunately, the administration's position would delay funds for child welfare services until States had designed and implemented a tracking and information system, adoption services and due process procedures. In effect, this requirement will delay full funding of IV-B until fiscal 1979 or later.

Massachusetts has a tracking system ready to go. Our adoption services are excellent. But other requirements need to be met. In the meantime, children in foster care will grow a year older and more children will come into care.

Even with additional funding, States cannot shift from one service system to another overnight. You cannot pull your finger from the.

dike to build a better dike. Until a system of preventive services is staffed and operational, State resources will continue to support their current service patterns.

The additional Federal money is vitally needed to set the wheels in motion that will build that better dike. Waiting another year will not help the kids who need services.

Second, H.R. 7200 would allow the payment of adoption subsidies for AFDC eligible children under title IV–A, and additional subsidies from IV–B. The scope of the administration's position on subsidies is preferable to the House bill, although we are concerned that an income test might cut out a large group of middle class parents who traditionally have been the most likely to adopt "special needs" children under State subsidy programs. We are also concerned that the imposition of a cap on costs may dampen the potential of the program.

I do appreciate the concern that State policy may follow the funding source of least resistance, that States will expand, rather than limit, foster care. This further justifies the infusion of funds tied to preventive services. This and other steps, short of a cap on foster care reimbursements and subsidies, can be taken to prevent an unwarranted expansion of foster care.

Finally, H.R. 7200 would remove the requirement that children in AFDC eligible families be adjudicated through the courts before foster care payments can be reimbursed. For those who need foster care, it places a considerable burden on the courts and caseworkers.

The majority of foster care placements in Massachusetts are voluntary. Therefore, I support reimbursement for voluntary placements. The administration also recognizes the merits of this change but would limit reimbursements to a 3-month period before court adjudication is necessary. The compromise recognizes the value of voluntary placements and the danger of encouraging long-term foster care.

I would suggest that reimbursement be available without court adjudication for a longer period of time—perhaps 18 months. To discourage long-term placements, reimbursements for foster care might cease entirely after this period except in special circumstances where long-term care might be desirable.

Mr. Chairman, this legislation before you is very worthwhile. Many States, interested in the lives and future of children and families in trouble, await passage of this to give child welfare services the boost that is long overdue.

Thank you.

Senator MOYNIHAN. Governor, we thank you and the Governors' Conference for coming here. We had a long hearing last week with Secretary Califano of HEW on this matter, and I cannot resist the impression that HEW comes with a great deal of argument but not much information. We asked, what have you learned, what do you know, has somebody found out—but, that they are short on.

We have heard from you, for example, something I did not know—it is surprising to find something I do not know—but the State of Massachusetts, the Commonwealth, already has adoption subsidies and you find it works.

Do you know of any other States?

Mr. O'NEILL. California, and I believe there are others.

Senator MOYNIHAN. It would have been interesting to hear that from HEW.

I have a few brief things that I would like to ask. First, let me say I am very sensitive of the statement that you made on the behalf of the Governors that fiscal relief for the cost of welfare is a cause that you very much embrace.

We, of course, are trying to emerge with some type of legislation. The administration has said, understandably, that the large changes in the system they propose will take effect in 1980. If that is the case, there are still the 1970's to get through.

I very much appreciate the conference having taken this position. I will be interested in some of your specific proposals.

You speak of replacing the existing section 1115 process and you say, "I propose that States be allowed to submit a plan showing how it will create employment and training programs for welfare recipients and the way in which these programs will comply with the broad goals and standards set by the Federal Government."

We agree with you there. Senator Long has had to leave as well as Senator Talmadge, they are both chairing other hearings, but they asked me to put this question to you on their behalf. A few years ago, the Senate passed an amendment to re-establish a community work-training program in States that wanted it and to allow States to run work demonstration programs such as the type Massachusetts has in mind.

Would the Governors Conference support such an amendment?

Mr. O'NEILL. I must tell you, in that portion of the testimony, we were speaking more specifically to Massachusetts and its current needs and the will of the Governor.

Senator MOYNIHAN. It is not fair to ask you to speak on behalf of 50 Governors.

Mr. O'NEILL. I do not have that license at this point.

Senator MOYNIHAN. Would you speak on behalf of yourself?

Mr. O'NEILL. We have two programs working in Massachusetts. One is the job creation program where we currently are looking at new opportunities of taking transfer payments and putting people in a job-creating arena, both in the private and nonprivate sector, with the use of private corporations, specifically those corporations that we consider to be marginal at this point in time, that have capital restraints, and consequently capital problems.

We are currently working with the Department of Labor and HEW and some of the agencies here in Washington, like the Small Business Administration and the Federal Energy Administration, trying to find new Federal opportunities to put these people to work in the implementation of the program.

To capsulize very quickly, there are 12 areas we are investigating in the program, which is one that has been fashioned for other States. It has had success in other areas, but has not had the same success in other areas. It is known generally as workfare. We call it the work experience program for the training of our currently unemployed fathers on AFDC.

We have had an opportunity in the last 4 months to put our unemployed fathers into a work arena. We have had very good success, we think. They have become trained for future employment opportunities. We think that it would take some of the disincentives out of the current UF program. As I say, it has had marvelous results in some States, not so good in others.

It will take more time to see how our goals will be met.

Senator MOYNIHAN. I have been in this too long to get too optimistic about anything. One has the feeling that we are learning how to do this. You reported you are learning in Massachusetts; Ms. Skinner reported that they're learning in Georgia. Very positive things are being said about this program.

Secretary Green was talking about the Department of Labor. We are getting the hang of it. It has taken us 15 years. It takes 15 years—some people never learn anything.

Mr. O'NEILL. It took us a long time to get us where we are. It may take us longer to get solutions.

Senator MOYNIHAN. Thank you very much for coming, on behalf of yourself and on behalf of the Conference.

Mr. O'NEILL. Thank you very much.

Senator MOYNIHAN. Congressman Miller, I wonder if you would mind joining me at the committee table.

Comptroller Harrison Goldin is here, and he has a meeting with the Vice President at 11 o'clock. As a courtesy to the Vice President, perhaps, Mr. Goldin, would you come forward?

Congressman, would you not join me up here?

Mr. Goldin, we just learned about your appointment and we will send word to the Vice President that you might be a little late. We do not want you to rush.

You have a statement that you might wish to read?

STATEMENT OF HARRISON J. GOLDIN, COMPTROLLER, NEW YORK CITY

Mr. GOLDIN. Thank you very much, Senator Moynihan. I want to thank you, Congressman Miller, as well, for your courtesy. I appreciate this opportunity to testify with respect to the pending legislation on foster care adoption.

There are in America today some 400,000 children in foster care at a cost to the public of over $1 billion a year. More than a fourth of this sum, $280 million, is spent on foster care for 29,000 children in New York City alone.

My Office, in an audit which I offer to the committee for its consideration, has found that in New York City, at least, this is not money well spent. The primary goal in foster care is to locate a permanent home for children, but New York despite a multifaceted system of oversight and review, like so many other localities is finding itself unable to do the job. We have 17,000 children in our foster boarding homes, and of that total my office estimates that 11,000 have been held in supposedly temporary care an average of 5.5 years longer than necessary, at an excess aggregate cost of $233 million.

If the answer to securing adoptive home for these children were to lie solely in an elaborate administrative structure and the trappings of accountability, New York City would be in the vanguard of foster care. The city's private foster care agencies, which administer most of the caseload, are required to submit detailed reports every 6 months on each child to the city's Department of Social Services, with which they have purchase of service contracts. Every 18 months most of these children's cases are reviewed by the family court. In addition, there is considerable child profile information generated on a quarterly and annual basis by the computerized Child Welfare Information Services system.

On the State level there is the Adoption Service, which is supposed to list profiles on children freed for adoption and to insure that the agencies are faithful in supplying comprehensive child information to adoptive parents. And there are three other agencies with power to review various facets of foster care operations.

Why, then, does this system not work? Specifically, the answer lies in the lack of economic incentives for private agencies to find permanent homes for the children in their care, as well as in bureaucratic inefficiency. But more generally the answer may be that something is basically wrong with the system.

The legislation passed overwhelmingly as H.R. 7200 by the House and now before this committee would go a long way toward rectifying the misdirection of our national effort. The measure places strong emphasis on keeping children from coming into foster care in the first place by means of preventive services for their families.

It stresses services designed to reunite children with parents in cases where foster care should be only a temporary remedy. The bill creates important incentives for foster care agencies to motivate them toward finding adoptive homes. And, perhaps most importantly, the bill contains the seeds of a new approach to society's responsibilities for its homeless children in calling for subsidies to adoptive parents.

But to all these innovative proposals I would suggest important changes if the legislation is to fulfill our hopes for an effective foster care system.

The first set of recommendations that I would like to put before the committee concerns the provisions for adoption subsidies. The bill wisely recognizes that we have been undermining the potential of finding adoptive parents by spending vast sums of Federal money on foster care and offering nothing in the way of Federal aid to adoptive parents who may be well off enough not to qualify for welfare, but may not have the wherewithal to take on the added burden of another child.

In New York our subsidized adoption program costs about half of what we spend on foster homes and about one-fifth of what we pay for institutional care.

The bill rightly seeks to require agencies to make every effort to keep children with their families. If that fails, the agencies would be required to find adoptive parents who do not need subsidization. Hence, adoption subsidy payments would generally be restricted to children who are hardest to place and those shunted from foster home to foster home at a cost much higher than that involved in adoption

subsidies. This approach sensibly channels public subsidy funds to those children in greatest need.

The problem with the bill is that it does not go far enough. If we recognize that certain families need assistance in meeting child care costs before they can take on the responsibility, then it seems to me to be of little value to tell such families that we will give them such assistance for a year or for a period equivalent to the duration of the child's tenancy in foster care, and no more, as provided by the bill.

What are they to do when the specified period expires? If this is to be an incentive worth legislating it must go all the way, insuring the family that it will be aided in meeting the child's costs through the age of 18.

I would like to make one other point with regard to adoption subsidies. While I agree with the proposed legislative requirements that a "diligent effort" should be expended on finding a foster care child a nonsubsidized adoptive home, I believe this requirement should be waived in cases where foster parents themselves wish to adopt and would need subsidies to do so. In these instances, months of looking for another family willing to adopt, when one is already at hand, would not only be a waste of agency staff resources, but would also undermine the best interests of the children in stability and continuity.

Furthermore, the foster parents seeking to adopt would have no way of knowing during this period if the child they had come to love and want for their own would be taken from them. If a foster care association has created a family-child relationship deep enough to produce a request for adoption, the impediments to formalization of that relationship on an enduring basis should be minimal.

In New York we have found that foster parents are our main adoptive resource. About three-quarters of all our adoptions these days are subsidized and virtually all of these are by foster parents.

The second set of recommendations I have to offer today deals with the funding provisions of the proposed legislation.

The increased funding for preventive services and adoption contained in the amendments to title IV–B would provide badly needed economic incentives for foster care agencies to redirect their energies. Making IV–B a fully allocated entitlement program will help this cause at the State and local level.

Of particular importance is the provision earmarking "new money" for preventive services, family reunification, and adoption service expenses.

However, if foster care agencies are to be induced to stop doing business as usual, these new social service funds should not be lumped with moneys for foster care maintenance. They must be administered separately, with strict monitoring procedures to insure that they go only for substantive preventive, reunification, and adoption services.

On the other hand, I would recommend the opposite for adoption subsidies. These funds should be combined with allocations for foster care maintenance so that States can shift foster care money to adoption subsidies or vice versa as needed.

Incidentally, while on the subject of funding, I would like to voice my wholehearted support for a new measure which I under-

stand is being introduced by Senator Moynihan to provide increased allocations for public assistance. This bill would bring much needed fiscal relief to New York City and other localities in their administration of aid to families with dependent children.

The third area I would like to touch on relates to provisions designed to bring funded agencies under close scrutiny. Throughout the Nation there is a lack of accountability with respect to the use of foster care funds by States and localities. For example, despite massive Federal outlays for foster care services, no one presently knows exactly how many children are in foster care, let alone how long they have been there or whether they should be there at all. What we do know from a number of local studies as well as from a recent GAO audit, is that foster care around the country is generally a poorly managed enterprise.

In New York City, despite our superficially impressive accountability system, my staff found that private agency efforts to reunite children with their parents, discharge them to caring relatives or have them adopted are entirely inadequate.

While the legislation before the committee attempts to deal with the accountability problem, it needs to be strengthened. Good case management information systems, court reviews and internal accountability procedures, as provided in the bill, are essential.

But, in addition, the legislation should mandate independent review and audit of the effectiveness of the 6-month administrative case review and the 18-month judicial hearing. It should not be left to provider agencies to evaluate their own performance.

It would also be useful to require some type of citizen participation in the administrative review or court hearing stages of the foster care process. I cannot overemphasize the importance of having informed, concerned and disinterested citizens looking at the foster care system at the State and local levels on an ongoing basis. Foster care has been a closed system for too long.

These provisions for outside review would be further strengthened if provider agencies were required to sign contracts with the natural parents of children coming into foster care. Such contracts are used with considerable success in a number of localities around the country. They help clarify the mutual responsibilities of the service agency and the child's parents with respect to visitation rights, rehabilitative care for parents, child status reports and other matters.

The final aspect of the legislation that I would like to discuss involves the role of HEW in administering the bill. HEW should be required to clarify through regulations exactly what are allowable costs that will be reimbursed by the Federal Government. There should be stronger guidelines governing annual Federal approval of State plans, and a requirement that these plans be developed with assistance from advisory boards consisting of natural and foster parents, older foster children, child welfare officials, and child advocates.

In addition, State plans should mandate data collection and detailed annual statistical reports on children and families being served by provider agencies. There should also be provisions for audits of local programs funded by the State.

I believe the addition of these recommendations to the bill passed by the House will give us a well-ordered, manageable foster care system, sufficiently flexible to meet the needs of individual localities, but strong enough to launch a nationwide drive to find homes for these children. I hope that in these hearings we are witnessing the inception of such a campaign, for my experience with the foster care system as it exists in New York is disheartening.

Thank you.

[The appendix to Mr. Goldin's testimony follows:]

APPENDIX TO COMPTROLLER HARRISON J. GOLDIN'S TESTIMONY

SUMMARY OF NEW YORK CITY COMPTROLLER'S OFFICE AUDIT REPORT

MAY 26, 1977.

Re report on foster care agencies' achievement of permanent homes for children in their care E 77-103.

OFFICE OF THE COMPTROLLER,
City of New York,
Bureau of Municipal Investigation and Statistics.

SUMMARY OF SIGNIFICANT OBSERVATIONS

BACKGROUND

The purpose of this audit was to evaluate the performance of City-funded voluntary (private nonprofit) foster care agencies in finding permanent homes for children in their care. It sought to assess the adequacy of services provided by these agencies and to determine the effectiveness of the City's Office of Special Services for Children and the Family Court in assisting agencies to achieve the goal of finding permanent homes for foster children. A permanent home may be achieved by having the children return home, discharging them to relatives, or securing their adoption.

We reviewed a random sample of 172 child care case records and other materials at 5 representative agencies: Angel Guardian Home, Catholic Guardian Society of Brooklyn, Edwin Gould, Louise Wise and Speedwell. We also reviewed various records or materials at the following organizations: Child Welfare Information Services, New York State Adoption Service, New York State Department of Social Services, New York State Board of Social Welfare, Child Welfare League of America and Citizens Committee for Children. In addition, we undertook a telephone survey of persons prospectively interested in adopting children in the case of voluntary agencies.

New York City's foster child care system is large and complex. Over 29,000 children are in foster care, at an overall cost of more than $280 million this year alone, for an average cost per child of almost $10,000. Foster boarding home care costs about $5,000 per child; institutional care more than $13,000, for basic maintenance only. The majority of the children—25,000 of them—are cared for by 85 voluntary agencies funded almost completely by the City, State and Federal governments. These agencies will receive about $228 million this year, most of which is for agency administration, social services and other expenses. Another 3,400 are in direct care provided by Special Services for Children.

A large number of organizations are involved in foster care besides the 85 voluntary agencies. They include the New York State Board of Social Welfare, New York State Department of Social Services, New York State Adoption Service, the New York City Family Court, the New York State Legislature, the Mayor's Office of Management and Budget and Child Welfare Information Services. Major responsibility for monitoring the activities of the various agencies and organizations involved, and, where appropriate, holding agencies accountable, is lodged with the Office of Special Services for Children, a large unit within the City Department of Social Services.

The City's child population in foster care is today predominantly black (52.3%) and Hispanic (25.7%), with white children in the minority (17.3%). Foster children come principally from economically and emotionally troubled

families, where they have often been subjected to neglect, abuse or abandonment. In most cases, parents' problems lead them to place their children voluntarily in foster care (82% are voluntary commitments). Placing a child in foster care, however, does not abrogate the parents' legal rights over their children.

MAJOR OBSERVATIONS

We found that foster care agencies tend to retain a majority of the children in their care, particularly those they place in foster boarding homes, for an unnecessarily excessive period—to the detriment of the children and at enormous cost to the taxpayer. The causes of this deplorable—and avoidable—situation include a lack of effort by the agencies; lax monitoring by responsible City and State departments; and a fiscal incentive structure that pays agencies for keeping children in foster care, but does not reward them for discharging children or penalize them for not moving children out of foster care and into permanent homes when such plans are appropriate. Specifically, we found that:

1. Of 35,657 children in all types of foster care during 1976, only 5,431 (15.3%) were discharged to permanent homes (parents, relatives, or adoption). The gap between agencies' "plans" for the children and actual achievements was enormous. For example, in 1975 the agencies' "plans" called for the adoption of 5,727 children; only 953 were adopted during 1976.

2. The effects of such low discharge rates are several. First, 17,000 children have remained in foster boarding homes for an *average* of six years, with many spending much of their lives in foster care. Second, many children move from home to home, often with harmful effect to their social/emotional well-being. We found that 29.0% of our sample had been in three or more foster boarding homes, and 29.4% of these children had seriously deteriorated during their many years in such care. By comparison, only 13.9% of the children who had been in one foster home evidenced such deterioration (e.g., chronic hyperactivity, truancy from school, or social withdrawal).

Third, the cost of keeping so many children in foster care for more years than necessary is enormous. On the basis of our test sample and review of other relevant data, we project that nearly 11,000 of the 17,000 children in foster homes have been in such care for an average of 5.5 years more than necessary, costing the taxpayers $233 million in City Charitable Institutions Budget (CIB) money alone. The total CIB monies the various agencies involved have received for these 11,000 children from the time they entered such care to the present is $324 million. If the agencies had discharged them on a timely basis, the net savings (including cost of adoption legal expenses and subsidy) to the taxpayers would have been $206 million.

In 110 of the 172 cases we reviewed, the children should have been freed for adoption on grounds of parental abandonment, permanent neglect or mental illness. These 110 were in foster care at least 18 months. Only 8 were freed on a timely basis, and only 22 others were after many years of care eventually freed.

The agencies we examined (excluding Speedwell) failed to register 117 out of 498 (23.5%) freed children with the State Adoption Service, as required by State law. This results in the children not being photo listed, with their availability for adoption not being more known to prospective adoptive parents.

3. The immediate cause of this situation is insufficient planning and inadequate effort by the agencies. We found in our case sample that after six months of care, the test agencies had an adequate plan for only 39.8% of the children, i.e., a clear goal, a timetable and a determination of the appropriate services to be provided. As time progressed, the agencies continued to make inadequate efforts in terms of action for permanent homes for most of the children. Even with the more recently admitted children (1973–1976), the agencies made an adequate effort in only 44.3% of the cases.

With respect to recruitment of adoptive parents, we found that many agencies not only make little effort, but also positively discourage persons interested in adopting "available" (*i.e.*, freed) children. They frequently discriminate against potential adoptive parents on grounds of age, marital status, race, religion or geographic location. Some agencies also scare off prospective parents by charging expensive adoption fees and depicting their available children in highly negative terms.

Contrary to agency claims, we found that potential adoptive parents who have contacted agencies are not seeking only younger children to adopt. At the five test agencies we found that in 1976 a total of 1,266 people inquired directly to the agencies themselves about adopting a child. Of these, 258 stated the type of child they desired. Of the 258, 60% preferred a child 3 and under, 40% desiring a child 4 years or older. Almost 1 person in 10 (8.5%) wanted a child 8 years of age or older. A non-white child was requested by 30% of those who stated their preference.

We found that the agencies reject a large percentage of the inquiries, many for reasons that are highly questionable. At Brooklyn Catholic Guardian, 20 inquiries were received regarding the availability of Hispanic children. The agency wrote back, stating that the type of child asked for was not available, even though 37% of the agency's children are Hispanic.

4. The quality of agency services was found to be frequently inadequate. Only 57.6% of the sample reflected adequate social casework services in terms of foster home visits and working with natural parents. Many children needing psychological or psychiatric services did not receive them on a timely basis or at all.

5. Lax and ineffectual monitoring of the agencies by Special Services for Children (SSC) has been a major reason for the poor performance of the agencies. SSC's Accountability Division has 141 personnel. We found that in only 9.3% of the sample did SSC intervene significantly for the purpose of prodding agencies toward finding permanent homes for the children in their care. Examination of case records at Speedwell Services for Children led us to conclude that SSC should not have waited until 1976 to take action that in effect closed down a blatantly miserable agency (the average number of years that the children in its care had been maintained in foster care was 9.7), but should have acted many years earlier on the basis of annual and semi-annual reports received on each child in Speedwell's care.

SSC also has not implemented some of its own specific standards of regulations. For example, it takes an average of four months, instead of six weeks (SSC's standard), to process adoption subsidy applications.

A good example of what can be done with respect to preventive services and also adoption of many "hard to place" children is provided by Los Angeles County. There, the foster care population has dropped sharply since 1970, while New York City's has increased. In Los Angeles County, 8% of children in care were adopted in 1975, compared with 2% in New York City.

6. Agency reports to Child Welfare Information Services (a computerized program information system funded by the City) were found to be seriously misleading in 23% of the cases we examined. We also discovered discrepancies between the case records maintained by the agencies themselves and the reports they file with SSC. For example, we found instances where an agency's records indicated a plan of continued foster care, while at the same time the report on file at CWIS indicated that "return to parents" was planned.

7. Agency resources are adequate in terms of the number of personnel they have available to service children in foster boarding homes. We found the social service caseload for 6 representative agencies with boarding home programs to be 15 children per worker, considerably below the Child Welfare League of America's recommended maximum of 20 to 30 children.

8. We found the Family Court to be a significant factor in prodding agencies via its 18 month case reviews. In recent years the Court has in 43.4% of the sample cases we reviewed intervened to change one or more important aspects of agency case management and move agencies toward finding permanent homes for the children in their care.

RECOMMENDATIONS

If the foster care system is to be reformed—and reform is long ovedue—comprehensive changes are reuired. Some of the changes will have immediate impact; others will produce more long range results.

Immediate action is needed on the 11,000 children who have been in foster homes too long. We strongly recommend the creation of an ad-hoc Special Task Force on Long Term Foster Children to review agency case files on these children and recommend which should be discharged to parents or to relatives and which should be freed for adoption. This task force should be composed

of representatives from a variety of organizations interested in child welfare services, concerned citizens and child care experts, local university schools of social work, New York State Board of Social Welfare, New York State Department of Social Services, and Special Services for Children. The City Comptroller's Office would assist the Task Force in an advisory or liaison capacity.

The Task Force should move quickly to eliminate the backlog of children caught up for too many years in the limbo of foster care. Foundation grants and Federal funding based on the savings which will be achieved should be sought for this special project, since temporary staff personnel not presently City or State employees will be needed to review large numbers of agency case records.

Indefinite, long term care may be unavoidable for some children. Nevertheless, a presumptive 18 month limit should be established for all cases. Per diem payments to agencies for the care of any child should be terminated after 18 months of care, unless the agency can affirmatively convince the Family Court or a Citizen Review Board at 18 month Review Hearings that further care is necessary. In cases where the Court grants an extension of care, such extensions should be of limited duration, perhaps for six months, and Special Services for Children should monitor these cases particularly closely. Noncompliance with Court orders as reported by SSC to the Court should result in immediate reductions in monthly payments to the agencies by the Comptroller's Office. Such payment reductions should be a substantial proportion of an agency's personnel costs—perhaps 20% per month—and should continue until the agency persuades the Court or its Citizen Review Board that it is in full compliance with Court orders for all the cases reviewed.

Other recommendations concern our proposals for improved SSC monitoring of agency case management in order to provide greater control over agency action and reporting; a more aggressive outreach effort to recruit potential adoptive parents; and increased emphasis on preventive services and discharge to relatives as alternatives to foster care. Details on these and other recommendations are set forth in Section C. of this report.

Finally, the Comptroller's Office wishes to acknowledge the assistance, information, or criticism provided during earlier stages of this audit by the following persons: Dr. Trude Lash, Foundation for Child Development; Ethel Ginsburg and Helaine Geismar, New York Citizens' Committee for Children; Judith Shaffer, Council on Adoptable Children; Dr. Belle Granich, Fordham University School of Social Work; Dr. David Fanshel, Columbia University School of Social Work; and Peter Forsythe Vice President of the Edna McConnell Clark Foundation. This does not, of course, imply their agreement with the final report's findings or recommendations.

We note with particular interest Mr. Forsythe's comment on an earlier draft of this report: "While New York's dollar expenditures and numbers may be the most shocking in the country, the problem description is applicable in lesser degree to many voluntary and public agencies in other states." We hope, therefore, that this report's findings and recommendations will provide significant impetus to reform of foster care not only in New York City but also in other sections of the country.

Senator MOYNIHAN. We thank you, Mr. Goldin. I know of the pressure on your time, and I know you know the pressure on this committee to do something which is of great concern to you.

I wonder if Congressman Miller would like to address some questions to you?

Mr. MILLER. I thank you, Senator. I am very much aware of the pressure of your time. I would just like to say thank you, because you have been very, very helpful in putting together what resulted in 7200. Your audit comes along at a time that substantiates much of what we found in other parts of the country. I thank you for your diligence and your staff's help throughout this effort.

Mr. GOLDIN. Thank you very much, Congressman. I want to reciprocate the compliment by saying we are very much admiring of

your outstanding leadership in the House and of Senator Moynihan's leadership in the Senate in coming to grips with this problem in such an effective fashion. I think the country is very much in your debt for this effort.

Senator MOYNIHAN. Before this hearing gets out of control, I have a question. I am just going to take a moment of your time to ask a question which a New Yorker asks himself or herself all the time.

I looked at your opening statement on the startling point that of the $1 billion spent in foster care services, 28 percent of it is spent by New York—4,000 out of 19,000 recipients are children of New York. I did the long division. With 7.25 percent of the children, we have 28 percent of the cost.

Not long ago, when Secretary Califano was here, I told the tale of Governor Smith when, in 1922, he was running for Governor, having lost out in the 1920 party landslide. The then-incumbent Governor was a gentleman of no great note, but he did start going around the State saying that he had saved the state $3.25 million.

Smith began getting reports of this being listened to. Finally, he had no alternative but to start chasing then-Governor Miller around the State of New York saying, the Governor says that he has saved us $3.25 million. What I want to know is where is it and who has got it?

Why does it cost four times as much in New York City? I put this question to you very simply. Anyone who knows our city and State and knows the national situation knows that most of the proposals that have been presented in the way of social welfare reform for the Nation have been in place in our State for generations. It is with a sometimes troubled conscience that we come down here and say, we have a splendid idea for the Nation which we know has not made a damn bit of difference at all in New York.

Can it be said of spending four times as much per child, that there is a shortage of resources in New York? Shortage of administrative capacity? How do you account for the fact that you spend four times as much per child as anybody else?

Mr. GOLDIN. There are three essential reasons to the best of our knowledge, Senator. Obviously, we are dealing with an area that cannot be quantified precisely. Our analysis would suggest first, payments for foster care in New York are, in fact, higher than they are elsewhere in the country. That assumes that we equalize national dollars to levels that are provided elsewhere. We consider them to be insufficient to enable children to be maintained in levels that are necessary for the special problems that these children frequently have.

Second, in New York, we include in our figure ancillary services that we add that go beyond simply the raw maintenance of the child. These would include mental health services, educational services, and the like.

Third, the lamentable fact, as all of us know, the cost of living is substantially higher in New York. Services do cost more in relative dollars and, as a result, providing the same level of services would cost more dollars in New York than it would cost in other parts of the country.

Senator MOYNIHAN. On the cost of living, as you know, we have done some fairly careful studies. Indeed, we do find the cost of living

in New York State to be higher than the cost of living in most places. But when those differences are allowed for, on actual per capita income, New York stands 24th in the Nation. Louisiana, Arkansas, and West Virginia have higher per capita actual income, but as you also note, the largest single explanation for the difference, the reason Arkansas and Oklahoma have a higher per capita income is that we have higher taxes.

I would like to ask another question.

Does New York provide any adoption subsidies?

Mr. GOLDIN. Yes; we do, Senator.

Senator MOYNIHAN. New York is in the vanguard.

Mr. GOLDIN. We are the leaders. Dr. Straus, who helped lead our audit team, who conducted the foster care audit from our office, advises me that there are quite a number of States that have adoption subsidies. The number reaches into the dozens.

You will be interested to know that New York is not unique.

I would also like to add, Senator, respecting your question a few moments ago as to the reasons for New York costs being so much higher in the face of the lamentable evidence that the system does not work, we know it does not work in New York, because we have taken the pains to analyze it. We have taken the trouble to evaluate it.

As far as we know, our audit and evaluation is virtually unique. To the best of our knowledge, Congressman, there is no other effort of this kind that has been undertaken anywhere in the United States, so we have documented and detailed the failures, the inadequacies of the foster care system in New York.

I would suggest to the Senator and Congressman that that should not be taken to mean that the system is working any better elsewhere.

Senator MOYNIHAN. I have stated before that I support this legislation. I am in favor of these goals. But once again, I find us marching into a situation about which we know so little.

The Secretary of HEW came before this committee a week ago with no information. They said it is a good idea, but it costs money.

We asked them how many States had tried this idea. This morning I first learned that Massachusetts did, California did, and my hypothesis is that New York also did. You say there are dozens that do—I want to report that to HEW.

I will ask you one question, because you have a problem. In your audit, an exemplary document and a serious effort to inquire into the labyrinthine flows of influence in these fields, you say there is a general proposition that the States are not willing to pay for the caseworker services and hence children simply remain in foster care, that if there were more funds for services, children would be placed in adoption or reunited with their parents.

In this effect, the HEW polls we have are cyclical. Secretary Califano spoke to us last week and it seemed we were in 1962 again. The services were in that cyclical phase of the moon then dominant. And the Secretary of HEW was up here, promising, as he did, that there would be no problem of poverty or welfare or dependency by 1977 if we would just put up the money, which was indeed put up with no consequence—excepting there is a curious correlation, the more money spent on the problem, the greater the problem becomes.

In your text you say:

With respect to recruitment of adoptive parents, we found that many agencies not only make little effort, but also positively discourage persons interested in adopting available free children. They frequently discriminate against potential adoptive parents on grounds of age, marital status, race, religion, geographic locations. Some agencies scare off prospective parents by charging expensive adoption fees and depicting their available children in highly negative terms.

Contrary to agency claims, we found that potential adoptive parents who have contacted agencies are not seeking only younger children to adopt. We have found that the agencies reject a large percentage of inquiries, many for reasons that are highly questionable.

This is our record. Here we have a proposal to have $209.5 million—I do very much admire the precision with which these estimates are made—$209.5 million for additional services of the kind that in New York you find so questionable. I want to put the question to you, will we get more adoptions with no agencies or with more agencies?

Mr. GOLDIN. You put the issue well.

What is intriguing and alluring about this bill is that it does not simply propose to throw more money after a problem. We are dealing with a finite problem, not dealing with the full range of social service difficulties, an amorphous area to which has been given no careful thought.

We are dealing with a specific problem.

Second, and most important of all, the bill focuses heavily on monitoring. We found—and you will note in my audit from which the Senator quoted 1 moment ago—the system does not work, as so many systems do not, because it has not been subject to oversight scrutiny, independent, outside inquiry and reporting. It would appear that agencies were left in business for themselves without their having to be accountable to an independent mechanism.

Part of what I find very attractive about this bill is that it focuses very heavily not only on trying to maintain the integrity of the family in the abstract, but also it provides specific mechanisms to accomplish that purpose, and perhaps, most importantly, I would seek to institutionalize oversight and review and scrutiny.

You will note in my prepared remarks that I urge that that scrutiny and oversight mechanism be beefed up to be independent, and it would include a somewhat broader representation than the bill as presently constituted would provide.

I would place much emphasis on that kind of continued oversight and, in our judgment, in my judgment, the kind of abuse that we found in our field audit, the results the Senator quoted, were based on extensive field surveys, would be inhibited if these agencies were subject to outside accountability and independent review.

Senator MOYNIHAN. That is a good answer, and I would like to just make a final point, which is not really on the subject, but not unrelated. One of the great hopes of the social work profession is that it become professional, and the meaning of a "profession" is that it establishes its own standards and polices its own performance.

We have Professor Polansky of the School of Social Work, University of Pennsylvania, who will be speaking for the National Association of Social Workers later. Perhaps he will comment on this.

There is increasingly a moving away from the notion of professions as autonomous activities. Whether that is good or bad, I do not know.

That it is different, I do know. We will see what we think of it. We know very little of professions, how they come into being and how they assert their capacity to judge who is a peer and who is not.

What we do know is that in the city of New York's Comptroller we have a distinguished public servant who has served our city well in times of great turmoil, and in the midst of that crisis has found time to be concerned with this subject, which is the subject of children. It is not a subject of money, but of children who are in the worst kind of trouble a child could be in.

We thank you, sir. We know you have a meeting with the Vice President, or else we would ask you to linger here longer. The one body of data that we will bring to the judgment of the Senate comes from you, and we express our appreciation for it.

If you see anybody in HEW, tell them I said so.

Thank you very much.

Now, Congressman, if you are going to testify before the committee, you are going to have to go down to the witness box.

We do very much welcome the opportunity to have our colleague from the other body, Congressman George Miller from California, who has established a singular reputation for himself early in his congressional career, having been so much the inspiration of this legislation, and having brought it so handsomely through the U.S. House of Representatives.

We welcome you, Congressman.

STATEMENT OF HON. GEORGE MILLER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. MILLER. Thank you very much, Senator. It is my pleasure to be able to testify before this committee on this legislation. When I started some two and a half years ago looking into this system, I had thought that nothing would happen until perhaps I became chairman or the committee, but events have outstripped me, and I am delighted that the Congress and the administration are focusing their attention, as you so aptly put it, on the children in trouble, children in need.

The issue on which this subcommittee undertakes hearings today is much larger than simply adoption subsidies, or even foster care reform. The purpose of H.R. 7200 and my own "Foster Care and Adoption Reform bill" from which much of the House-passed bill was drawn, is to improve the functioning, quality, cost-effectiveness, and humaneness of a system which, during 2 years of review, I have concluded, is failing at its very basic purposes. Sadly, that is an opinion shared by experts in every related field around the country.

Last week, when the administration opened the public testimony on H.R. 7200, Senator Moynihan asked Secretary Califano, "What do you know about foster care and adoption that you did not know one year ago?" I think we can definitively answer that, one year ago, we had no idea of the widespread failure of the foster care system, or of the enormous fiscal and human cost involved in that failure.

During this past year, several major, authoritative studies on foster care have been released which have greatly expanded our knowledge

of the operation of the system in the States. Late last year, HEW, itself released a study entitled, "Foster care in five States," which reviewed stated evaluations in California, Arizona, Iowa, Massachusetts and Vermont.

Earlier this year, the General Accounting Office released a study, "Children in Foster Care Institutions," which was commissioned in mid-1975 by Congressman John Brademas and myself concerning conditions in California, New York and New Jersey and Georgia.

Also this year, the Regional Institute of Social Welfare Research of Athens, Ga., released the study "Supply and Demand for Child Foster Care," which examined the program in the eight southeastern States—Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, and Tennessee.

Most recently, the New York City Comptroller, Harrison J. Goldin, who will also testify today, released a major study of foster care in that city.

The conclusions of these studies, dealing with a variety of States in every area of the Nation, are startlingly similar:

Many children are removed from their natural homes needlessly, because appropriate services were not provided their parents;

Many children are kept in inappropriate, overly restrictive foster placements far longer than necessary;

Many children, and their parents, do not receive proper post-separation services which could lead to the reunification of the family;

Existing accountability and due process procedures are extremely vague and widely ignored, which directly contributes to the maintenance of thousands of children in indeterminate and inappropriate, and costly, foster care;

Many thousands of adoptable children remain in foster care because the system is designed to retain them in limbo and because Federal financing placed a premium on indeterminate maintenance rather than on permanent placement.

As I have stated many times, the skewed Federal program actually subsidizes the breakup of the family rather than concentrating its resources on preserving and improving family life. We will continue to spend hundreds of millions of dollars to retain a child in foster care for years, but spend little on services to avert placement, and virtually nothing on moving the parentless child into a permanent, loving, adoptive home.

It is therefore critical that this committee recognize that the continuing crisis in foster care exists not in spite of the Federal role, but very largely as a direct result of our financing and lack of providing goals and direction. Simply tacking a new program, such as adoption subsidies, onto the end of a very bad system does nothing to reform the process which creates the situation.

Likewise, requiring major reform of the procedures involved in foster care without providing additional Federal funding, and targeting it to preventive and reunification services, cannot alone solve the crisis. The bill which I introduced, and the program as outlined in H.R. 7200, therefore, is a comprehensive approach which should be pursued.

Within the past year or so, we have become aware not simply of the many problems in foster care at present, but of the fact that there

exist many workable alternatives to the present crisis which could be sustained with the kinds of direction and funding contained in H.R. 7200. Some of these alternatives have been funded on a demonstration basis by HEW itself.

The comprehensive services program in Nashville, while saving an estimated $68,000 over projected foster care costs during the 4 years of the program, recorded impressive results in the early 1970's. Numbers of children removed from home, down 51 percent; institutionalization was cut by 85 percent and eliminated entirely for children under the age of 6; recidivism was cut by 88 percent.

These results have been matched by other preventive service programs from New York City to San Francisco, most of which are struggling to continue in spite of the severe lack of Federal funding.

The effectiveness of the impartial, independent, and judicial or quasi-judicial reviews contained in H.R. 7200 have also been shown to be effective in aiding in the appropriate placement of children and in flushing out of the system the thousands of children who do not belong in foster care. The National Council on Juvenile Court Judges has operated the "children in placement" project in a number of States, reviewing cases on a periodic and thorough basis.

The cost savings of these reviews has been stressed in testimony by project president, Judge John Steketee of Grand Rapids, Mich., and proven in the results in several states: in reviews in Ohio, Oregon, Texas and Rhode Island, CIP moved substantial numbers of children out of care.

For Senator Packwood's benefit, I would mention that 66 percent of the children reviewed in Oregon were moved out of care, 69 percent of whom were placed for adoption. In Oregon, one-fifth of these children were returned to their natural homes, and the study of the eight southeastern States concluded that one-third of the children should go home.

These are the kinds of programs and procedures which H.R. 7200 and, I believe, the Carter administration's bill, are designed to replicate.

My own legislation, and H.R. 7200, contain sections requiring that, when a child is placed in foster care, that he be placed in the "least restrictive setting which most approximates a family and in which his special needs, if any, may be met . . . within reasonable proximity to his or her natural home . . . where appropriate . . . with relatives."

This provision goes to the very heart of much of what is currently wrong with the foster care system.

Every study has concluded that between half and two-thirds of the children in foster care are inappropriately placed, frequently in settings far more restrictive than required by their actual conditions.

Children are kept in institutions, when they could be in group homes; group homes are used instead of foster homes. The New York comptroller has estimated the 11,000 children were kept in foster care an average of 5½ years too long, and that the cost to the taxpayer of this inappropriate placement was over a quarter of a billion dollars.

That is more money than we are asking for the funding of this whole program. It gives you the idea of the fiscal limitations of the present program.

Let me assure you that this appropriateness standard is far from being a minor detail. Senate and House Committees have heard of the practice of sending foster children hundreds of miles from their homes, across state lines, to unregulated, fly-by-night "ranches" for the convenience of an agency and to the severe detriment of the child.

We have all read of children being kept in institutions for years unnecessarily. Not only are there enormous human losses, but also financial costs to this inappropriate placement pattern. Maintenance of a child in an institution can cost 10 times the amount required to place the child in a foster home.

It is not enough to point to the reviews contained in this legislation. There must be some standards established for those reviews, and there is a major difference between "standards" and "detail." Without such a provision, there is no way to enforce an appropriateness standard in a review.

This appropriateness and proximity standard is very similar to that enacted by Congress in recent legislation, and was embodied in a major suit, *Gary W.* v. *Stewart* in Louisiana last year. The U.S. Department of Justice was a coplaintiff in that suit, which resulted in Federal Judge Rubin's issuing a decision including standards very similar to the ones contained in H.R. 7200.

Recalling that important decision, the New Orleans Times-Picayune recently endorsed H.R. 7200, saying:

The sense of it in regard to child care and foster homes is humane and should be kept intact. This would go far toward assuring that never again will any State banish its disturbed and handicapped children.

The issues raised in the *Gary W.* suit are the same ones upon which my own investigations were launched. In 1975, I became aware of press accounts which documented the frequent shipment of abused, neglected, and handicapped children across State lines to institutions and other facilities often located hundreds of miles from their natural homes.

In some cases, natural parents fought for years in an attempt to retrieve their children, who had been virtually kidnapped by the State.

Crusading officials, and private citizens in the State of Illinois exposed, in 1975, the widespread shipment of children from that State to Texas and Maine. Indeed, the report, "An Illinois Tragedy," not only sparked my own concern for these children, but led to a major reorganization in the child welfare department in Illinois, and the elimination of the out-of-State placement program.

But unfortunately, this type of placement, which has become known as "banishment," is not unique to Illinois. Nor is it only a matter of interstate shipment. In my own State of California, children are taken from their home communities and placed hundreds of miles away in institutions in another part of the State. The detrimental impact on the child, and the likelihood that such placement will substantially impede the return of that child to his own home, is no less severe than had that child crossed a State border.

The real issues are ones of appropriateness and proximity of placement. Children should not be shunted around from facility to facility at the whim of a social service agency. By the same token, a

child placed in foster care because of parental problems, as over 90 percent are, should not be confined in an institution or other highly restrictive setting simply because such a placement is convenient for the placing agency.

The fact is that there is nothing wrong with many of the children in foster care at all. Yet the system into which they are thrown is so lacking in procedure, so devoid in many cases of concern for the child's welfare, that often the system itself produces—in 3, or 5, or 10 years—a candidate for permanent subsidy by Government in jail, on welfare, or in an institution.

I think that we should focus some special attention on Judge Rubin's decision in the *Gary W.* suit, because it addresses the legal and constitutional questions involved in H.R. 7200 and in the foster care system itself. Judge Rubin stated, in his opinion, that the questions of appropriateness stood "at the heart of the suit."

Judge Rubin wrote that the phrase "least restrictive setting," is "a convenient way to sum up the standard application to all governmental restrictions on fundamental personal liberties," and he concluded: "What is required is that the State give thoughtful consideration to the needs of the individual, treating him constructively and in accordance with his own situation, rather than automatically placing him in institutions, perhaps far from home and perhaps forever."

As a result of this finding, and in agreement with the virtually unanimous support by professionals of noninstitutional, community-based placement procedures, Judge Rubin ordered:

> No child shall be placed in an institution unless the child's treatment plan prescribes this placement on the basis that residence in an institution is the least restrictive setting feasible for that child. . . . The availability in the child's home community of services and programs likely to afford adequate treatment shall be considered. . . . Whenever possible, a child shall be placed in his own home or a foster home, and, if that is not possible, within reasonable proximity to his family.

This is the exact standard included in H.R. 7200. It is the most elementary standard which must be made concerning placement, when placement is indeed the best course.

Let us keep one very critical point in mind. Judge Rubin's decision concerned conditions in one State, Louisiania. But those of us who have studied the foster care picture in this country know full well that the conditions he documented are as widespread as should be the application of the standards he issued. Louisiana was not even one of the States studied by HEW, by GAO or by the New York Comptroller.

But those studies, and more, all showed that inappropriate placement was a severe problem, that it exacerbates the conditions which led to foster care, that it serves to prolong placement and thus drive up costs, and that it creates long-term problems for the innocent child captured by the system.

The impediments to speedy reunification caused by inappropriate placement bring me to one additional point. In response to a questionnaire which I sent to all the States, I have learned that many States report that a substantial percentage of their foster care populations have been in placement over 2 years. Several States report that 40 to 60 percent have been in care over 3 years.

During the joint hearings chaired by Senator Mondale in 1975, we were told that a child remaining in foster care 18 months has a better than 80 percent chance of remaining there for the rest of his childhood.

HEW's study has documented that children entering foster care for a short period often remain years. How great must be the added impediments to a swift return of the child when that child is placed many hundreds of miles from his parents, and from the agency with responsibility for reviewing and monitoring that child?

How many children become locked into this system because they were deposited in a convenient, out-of-state institution far from caseworkers, reviewers and their parents? And how many of these children could have been helped, could have been reunited with their parents had the simple, basic standard of least restrictive appropriate placement, in proximity to the natural home, been enforced?

The record of inappropriate placement, as documented in the several studies I have cited and in Judge Rubin's decision, making a telling case for retaining this critical provision in H.R. 7200. Without it, the Senate will remain silent on the worst abuse in the foster care system, and will significantly undercut the strength and integrity of this legislation.

We must increase our Federal commitment to preventive services which will take an enormous burden off the shoulders of the State and local governments, where it has disproportionately rested for many years. We must introduce greater accountability and improved due process for those children who do enter our foster care system.

In particular, with full knowledge that inappropriate placement, often at great distance from a child's family, is among the most noxious aspects of the system, we must enact a standard like that contained in recent court decisions, to ensure that a child will be placed in the least restrictive setting appropriate for that child, not for the convenience of a placing officer. Similarly, we should establish a standard that a child ought to be placed near his home, with relatives if possible, so as to make the foster care experience as nontraumatic as possible for the child.

I would like to make what I believe is a very critical closing point. Having been involved in the conceptualization, drafting and advocacy of this legislation for over 2 years, on a daily basis, I am well aware of the fact that there are those who view portions of this legislation as too restrictive, too detailed, and difficult to administer.

Most often, these accusations are made about those sections which would attempt to protect better the basic rights of children and families whose rights, various studies have well-documented, are flippantly ignored at present. I do not believe there is excess detail in this legislation.

Some claim that the reviews would overload the courts. I find it highly significant, therefore, that the 40th Convention of the National Council of Juvenile Court Judges last week unanimously endorsed H.R. 7200, and that Judge Steketee, originator of the children in placement project, has been the strongest advocate of the reviews in this bill.

I also asked the Congressional Research Service to inquire about the views of State social service agencies about their views on these provisions. Their review of 14 States in every region of the country failed to turn up an opponent of these provisions.

Indeed, several States such as New York, California, Ohio and Virginia have begun to move in these same directions in anticipation of, or in spite of, the Federal position.

I would like to conclude by adding that, in response to Senator Moynihan's question last week, that we have learned an enormous amount about the foster care system in the last year, and unfortunately, most of it points to the utter failure of that system to reach any of its prescribed goals.

We have, in H.R. 7200, legislation which is the product of hundreds of hours of work by national experts in every related field. Its provisions are not theoretically inspired or detailed for the sake of granting additional authority to the Federal Government.

Rather, its provisions are designed specifically to remedy the particular abuses, shortcomings and tragedies which study after study has revealed to exist in each State's program. They are based upon cost-effective models which have shown a capacity for improving foster care. Failure to enact these standards for the program, given the severe abuses which I have spoken of today, would be to virtually sanction the continuation of such abuses which I have spoken of today, would be to virtually sanction the continuation of such abuses, an unthinkable suggestion.

To add Federal dollars to this system, without proscribing rules by which to spend those dollars in a manner more likely to assist children, would be fiscally irresponsible.

I have confidence that this committee, and this administration, after considering the record and this legislation, will endorse the provisions of this legislation which I have discussed as being fundamental principles and central features from which a more responsible and more compassionate foster care and adoption system will emerge.

I want to thank the committee for your time. Having been a Member of Congress for 3 years, and having untold numbers of witnesses read statements to me, I always swore that I would never read one. But, I was afraid in the deliberations over this legislation that the idea that we have got to devise a system for the welfare of the children involved, that takes into account the needs of that particular family and that child would get lost if I summarized.

I think that it is very clear that this has got to be the goal. There are individuals, as I pointed out, who will talk about the constitutional technicalities. I suggest that there are fundamental rights, that it is not the business of this committee or the Congress to violate those fundamental rights when writing legislation, and I look forward to the deliberations that you will have on this legislation.

I have every confidence that you will turn out a piece of legislation that all of us will be very proud of, and which will start us down the road to making a humane system out of what is now a very brutal system in terms of its impact on the children and their immediate families.

Thank you.

Senator MOYNIHAN. Congressman Miller, I, for one—and I think I speak for all of us who are here today—am very pleased indeed not only to have read your statement, but to have heard it. It is a moving and compelling document.

As I said repeatedly, but to no one would I want to say it more emphatically, I very much support the goals of your legislation.

I want to ask you just a few things, however, before we get on with the other persons who are here to support the bill. You said that you would like to conclude by adding a response to the question I put last week to Secretary Califano. "We have learned an enormous amount about the foster care system in the last year, and unfortunately, most of it points to the utter failure of that system to reach any of its prescribed goals."

Congressman Miller, let me say to you, listen to me if you can, as a colleague. What you described is, in simple straightforward English, what may be the sum of the social science of the last decade. There is not a major study of which I am aware with repect to any such enterprise which has established its success.

In that you have found failure, I am not surprised, Congressman, but what have you learned about what would succeed?

Mr. MILLER. That is a point I tried to make. One of the heartening experiences, through all the human tragedy and toll that we saw, was that individual jurisdictions, and a number of local agencies, private or public agencies, have taken upon themselves to look at the system and say, "What is going on here?"

You have the cases of the National Council of Juvenile Court Judges under the leadership of John Steketee, who take a volunteer and sit at the right hand of the judge, if you will, and start asking questions that no one else apparently had time to ask. Why is this child in this place, what is the remedy for the problems of this child, and should the child remain here.

We found out, in Alameda County, Calif., next to the area I represent, that the prescribed review of law took an average of 2½ minutes per child. I do not think that they can set out the future of the child in 2½ minutes. What it was, in fact, was a narrative of what had happened to the child in the last 6 months. The rain had been kept off the child; he had not been lost in the snow.

I appreciate that. The juvenile court judges found with a single individual following a caseload they could dramatically reduce the restrictiveness of placing in placement itself. People in Nashville, Tenn. have set up a program in which, when a mother and father start throwing lamps and dishes at one another, calls somebody in the neighborhood to come and sit in that house while the police take the parents away. That person can stay overnight with the child instead of taking the child to the shelter, to the Juvenile Hall or other institution, can get the child off to school, can go about their daily chores, and maybe come back at 3:30 and be there when the child comes home, if the parents have not yet returned. They have reduced the trauma.

We have seen case after case, in your own city, of agencies beginning to track these children, and find them appropriate placement.

In San Francisco, there is a project offering an alternative placement to the highly restrictive institutions.

All over the country, States are moving in in this direction. Our Federal dollars do not allow that to really happen. We subsidize the most restrictive placement of children in the longest term care. That is where the money is, not in helping a member of the family who wants to take in the child, or the immediate family who is in human trouble.

Senator MOYNIHAN. Let me ask one final question of you, sir. I think that our own integrity in these matters requires us to ask this question. In New York City, we just learned from Mr. Goldin that 28 percent of the money is spent in this field for 7 percent of the children. New York City spends four times, on an average, what the Nation does.

What is it that makes the system not work in New York City?

Mr. MILLER. I do not think that you have a system in New York City which, in spite of those dramatic figures, is properly funded where the funding can be made available to prevent these actions.

As I witnessed the social services system in New York, which is probably the most intense of any social system in the country, nobody has time. There are not enough people.

When I say that when children are placed at the convenience of the social worker, that is not to condemn the social worker, that is not to condemn the public agency. That is to condemn the system that requires the social worker to handle a hundred cases, when each case involves two other parties, or maybe three other parties.

While you are spending $268 million, that is not properly funded. That is also a system that is funded to retain the children, not to let the children go, not to put the family back together, not to lower the pressure in these situations.

Let me conclude by saying that we do not have a system which is designed to reduce the trauma. It intensifies the trauma. We rip children out of their homes. We place them in institutions where they do not belong.

You have to remember, Senator, that these children for the most part start out in this system which eventually gobbles them up through no fault of their own. They end up there because of a family crisis.

I suggest if we had a proper income policy in this country, we would see far fewer of these children in the system. Those crises start when that family cannot simply meet its human needs, and we spin off a victim, we compound that very human tragedy with the system.

The emphasis and the subsidies are all in the wrong direction. In this case, we do not look for the best in foster parents, adoptive parents. Already there are murmurs asking if you can make money by taking one of these foster children.

People are suggesting that a profit could be made.

Let us look for the best in these adoptive parents. Let us look for the best in these foster parents and give them the resources to take care of these children.

Then I think that the money that you see spent four times, or two times the national average, will be properly spent. Then if that is what it costs, that is what it costs. We have got to take care of these children. We know where they end up, if we do not. They are crime candidates. That is only school for criminals that we run. That is the foster care system. That is the one that enables them to go forward in public life, if you will.

Senator MOYNIHAN. Congressman, there could not be a more moving statement. I thank you very much for coming before this committee.

You know, within the restraints of a range of purposes, this committee is going to report legislation which I hope the Senate will adopt, and we will be seeing you in conference.

Mr. MILLER. Thank you very much.

Senator MOYNIHAN. We have had an absorbingly interesting set of witnesses so far this morning, and we have, as you know, a wide range of subjects. We have been here since 9 o'clock. I hope we can finish our hearings by 1:15 p.m.

Each of the six remaining witnesses has been asked to speak for 10 minutes. I wonder, because they have been so patient and thoughtful and sensible in listening to our previous witnesses, if we could not divide our six remaining groups, as it were, into 15 minute segments, and if statements could be summarized rather than read, with the largest possible exchange of commentary being made.

We have the honor to have with us Hon. Cyril E. King, the Governor of the Virgin Islands and the Delegate from the Virgin Islands, Ron deLugo.

We welcome you, Governor. You have a very impressive statement, and I think, Governor, I would like you to make your choice; you could read it in that time, or you could summarize it.

I wonder if you could introduce your associate who has just joined you.

Governor KING. On my right is the Commissioner of social welfare for the Virgin Islands, Miss Lee.

STATEMENT OF HON. CYRIL E. KING, GOVERNOR OF THE VIRGIN ISLANDS

Governor KING. Mr. Chairman, I appreciate this opportunity to comment on those provisions of H.R. 7200 which are of major importance to the Virgin Islands.

I am sure you are aware, the Social Security Act contains some 20 provisions that only apply to the Virgin Islands and the other territories. We need not go into detail about these provisions, but the major effect is to set arbitrary limits on Federal payments for certain welfare categories; two, establish Federal matching rates that are lower than for the 50 States; and three, exclude the territories from certain programs such as the supplemental security income program and title XX block grant for social services.

In short, the Virgin Islands and other territories operate under a different set of welfare laws which can only be classed as punitive and discriminatory in their impact on low income U.S. citizens.

H.R. 7200 deals with three areas of concern to the Virgin Islands: One, section 203 would remove the ceiling on Federal matching payments for aid to families with dependent children in the territories; Two, section 201 would extend the supplemental security income program to the Virgin Islands and other territories and Three, section 202 purports to give an entitlement under the social services program, title XX.

H.R. 7200 would address one of the most discriminatory of these provisions by repealing section 1108(a) which currently places an annual limit of $800,000 on the Federal contribution to public assistance payments in the Virgin Islands. Of all the bill's provisions, this is of greatest importance to the Virgin Islands.

In principle, this arbitrary limit is unfair; in practice, it is unrealistic. During the past 10 years the Federal matching dollars earned by the Virgin Islands have consistently exceeded the legislative ceiling. In 1976, the Virgin Islands paid $3 million toward the cost of federally mandated welfare payments and services while the Federal Government paid only $1.3 million.

This ceiling on payments is responsible, more than any other single factor, for the grossly inadequate public assistance payments in the Virgin Islands. Since 1970, the welfare payment for an individual has been $50 per month, and a mere $166 per month for a family of four. During this same period the cost of living in the Virgin Islands has risen 63 percent and continues to run 20 to 25 percent above that on the mainland.

The effect of this legislation would simply be to allow a dollar for dollar Federal matching of Virgin Islands government funds which go as payments and services to families with dependent children. This would not seem unreasonable since the Federal Government pays as much as 70 percent of the welfare costs for States with similar economic conditions.

I would like to make it clear that the Virgin Islands is not asking for special favors or handouts from the Federal Government. The Virgin Islands has in the past and will in the future do its share toward meeting the needs of its low income residents.

Over the years, as we have fought for changes in these discriminatory provisions, many have been guided by false assumptions about the Virgin Islands. Here are a few facts which I would like you to consider in your deliberations on this legislation.

One, despite the low Federal contribution to welfare, the Virgin Islands has managed to provide aid to families with dependent children payments which are higher than those of 8 states. Nevertheless, we recognize that these payments are insufficient for those without other resources in a territory where the cost of living is 20 to 25 percent higher than on the mainland.

Two, Virgin Islanders pay more per capita toward welfare costs than the residents of many States. In 1975, the Virgin Islands paid approximately $14.80 per capita toward the aid to families with dependent children program. That was more than the State and local per capita contribution paid in 30 States during the same year.

Three, the proportion of the population receiving welfare assistance in the Virgin Islands is less than the mainland average. In the Virgin

Islands, we have 36.7 per thousand receiving aid to families with dependent children payments as compared with 52 per thousand for the United States as a whole.

The Virgin Islands had a smaller percentage of its population receiving aid to families with dependent children payments in 1976 than 30 States, including most of the States that have lower payments.

Elimination of the payment ceiling would not give the Virgin Islands more than the States. In fact, it would not even bring us to a level equal with the States. This is due to the fact that the Federal matching rate is lower for the Virgin Islands than for the States. In requesting enactment of this legislation, we are simply asking that the Federal Government do as much to meet Virgin Islands welfare needs as Virgin Islanders are already doing for themselves.

The second important provision of H.R. 7200 from the Virgin Islands' viewpoint is the extension of the supplemental security income program to the territory. The issue here is clearly equal treatment for U.S. citizens living under the U.S. flag. It is unconscionable that citizens should be denied the benefits of a completely Federal program solely on the basis of their residence in the territory.

As a result of our exclusion from the supplemental security income program, blind, disabled, and aged Virgin Islanders continue to receive public assistance payments which are only about one-third of that received by their mainland counterparts.

I would like to say a word about the special provision in this section which would make the supplementary security income payments in any given territory proportionate to a ratio of the territory's per capita income to the lowest State per capita income. It may be of interest to the committee that the per capita income in the Virgin Islands, according to available data, is compared to and indeed exceeds that of the lowest income States. In purchasing power, the Virgin Islands' income is, of course, less than these states, because of the much higher cost of living over which we have no control.

I think it is important, however, for the committee to recognize that in terms of standard of living and consumer spending patterns, the Virgin Islands' economy is very similar to that of the mainland. It is for this reason that the restrictions on Federal welfare funding work such an enormous hardship on our low-income residents.

The cost of extending the supplemental security income program to the Virgin Islands and eliminating the ceiling on payments would be infinitesimal in terms of the national welfare budget. HEW estimates the cost of extending the supplemental security program to be approximately $2.2 million and the elimination of the ceiling to be no more than $1 million initially. But money is not the issue here. The real issue is whether or not the U.S. Government is willing to treat U.S. citizens who reside in the Virgin Islands on an equal basis with those citizens who reside on the mainland.

We ask your support for extension of the supplemental security income program to the Virgin Islands.

Before closing I would like to address briefly the third provision of this legislation which affects the territories, namely, section 202 dealing with title XX social services funding. Although this provision

purports to establish a social services "entitlement" for the Virgin Islands, the use of the word "entitlement" is really only rhetoric.

Although the Virgin Islands have been excluded from the provisions of title XX social service block grants, we are eligible to receive $500,000 in moneys which are left unspent by the States. As I think you can appreciate, the uncertainty of these moneys makes their effective use for ongoing social service programs virtually impossible.

H.R. 7200 would only require the States to certify their needs at an earlier date. No entitlement is mandated. The States may not wish or may not be able to give an accurate report of their needs at the new, earlier date. Even if the States cooperate, however, the Virgin Islands would receive certification of the availability of funds only a few months earlier than is now the case. We would still have no guarantee of funds and could not plan for their proper use on a year-to-year basis.

The intent may have been to give us a "half a loaf," but even this was not accomplished. In order to pursue the goals of title XX, the Virgin Islands must be included on the same basis as the States.

Eventually, the inequities I have mentioned today must be addressed by the Congress and the Federal Government. Let us make no mistake. This legislation does not, by any objective criteria, bring the Virgin Islands in to equality with the States. We continue to operate under arbitrary Federal matching rates for assistance payments as well as services.

Moreover, despite the removal of the section 1108(a) ceiling, the $65,000 limit on the work incentive—WIN—and family planning programs will continue as a hindrance. Until equality is achieved, Virgin Islanders will continue to be treated as second-class U.S. citizens, and the image of the United States in the Caribbean as a result of this discriminatory treatment will continue to be tarnished. Enactment of H.R. 7200 would, however, be an important first step toward addressing this longstanding discriminatory treatment.

In a recent message to Governor Carlos Romero Barcelo, President Carter stated that:

> As President of the United States, you can be assured that I will be conscious of the needs of all American citizens, wherever they may be . . . the Constitution of the United States does not distinguish between citizens. We do not have in our country first and second-class citizens.

The President further emphasized that although the people of Puerto Rico do not contribute to the Federal treasury through Federal taxes,

> Neither do millions of Americans who are unable to pay taxes because of economic circumstances. Neither of these circumstances relieve the Government in Washington from its responsibilities to these citizens.

These circumstances apply equally to the Virgin Islands.

We, U.S. citizens residing in the U.S. Virgin Islands, believe equal treatment is long overdue. On behalf of the people of the U.S. Virgin Islands, I urge immediate, positive action to correct this longstanding injustice.

[The attachment to Mr. King's statement follows:]

DISCRIMINATORY PROVISIONS OF THE SOCIAL SECURITY ACT FOR THE VIRGIN ISLANDS

Assistance categories	Authorizing legislation	Federal share		Special ceiling	Special legislative provisions for Virgin Islands and other territories
		Virgin Island	State		
Old age, blind and disabled payments.	Title I, X and XIV.	50 percent.....	100 percent[1]	Within $800,000, limit on payments.	Old age sec. 3(a) (1) and (2)—50 percent, blind sec. 1003(a) (1) and (2) 50 percent, disabled sec. 1403(a) (1) and (2)—50 percent sec. 1108 (a)—$800,000 limit.
OABD payments administration.	.....do.....	.....do.....	.....do.[1].....	.....do.....	Section 1108(a)—$800,000 limit.
AFDC payments.....	Title IVA.....	.....do.....	60 to 75 percent.	.....do.....	Sec. 403(a) (1) and (2) 50 percent matching, sec. 1108(a)—$800,000 limit. sec. 402(a) (7) and (8) as amended by Public Law 90-248, sec. 248 (c)—lowerincome disregards.
AFDC payments, administration and training.	.....do.....	50 percent administration and 60 percent training.	50 percent administration and 75 percent training.	.....do.....	Sec. 1108(a)—$800,000 limit, sec. 403 (a) (3) as amended by sec. 248 (b) of Social Security Amendments of 1967—60 percent matching.
Child welfare services.	Title IVB.....	66.6 percent..	33.3 to 66.6 percent.	None.....	Sec. 423 (a) and (b)—66.6 percent matching.
WIN and family planning.	Title IVC and IVA.	90 percent.....	90 percent.....	$65,000.....	Sec. 403 (a)—family planning matching, sec. 402 (a) (15)—family planning services requirements, sec. 1108 (b)—$65,000 payment limit.
Old age, blind, disabled social services.	Title I, X and XIV.	75 percent.....	75 percent.....	Within $800,000, limit on payments. Within $500,000,[2] limit for title XX.	Sec. 1108 (a)—$800,000 limit sec. 2002(a)(D)—$500,000 limit, title XX.
AFDC social services..	Title IVA.....	60 percent.....	.....do.....	.....do.....	Sec. 1108(a)—$800,000 limit, sec. 2002 (a) (D)—$500,000 limit title XX. sec. 403(a)(3) as amended by Social Security Amendment of 1967—60 percent matching.
Medical assistance (medicaid).	Title XIX.....	50 percent.....	60 to 75 percent.	$1 million limit.....	Sec. 1108 (c).

[1] For States, these categories of recepients are included in the Federal supplemental security income (SSI) program.
[2] For States, social services programs for AFDC, and OABD consolidated under Title XX at 75 percent matching rate; Virgin Islands not included under title XX but special provision allows Virgin Islands to receive a maximum of $500,000 from funds unexpended by the States to be used for social services.
Prepared By: Department of Social Welfare and Government of the Virgin Islands.

Note.—In addition, sec. 1101 (a) defines the Virgin Islands as a State only for the purpose of specific titles in the Social Security Act.

Senator MOYNIHAN. I do thank you so much. I fear that the principle of equal treatment is going to have to apply to the Virgin Islands along with the other constituencies and interests represented here. This has not given Mr. de Lugo a chance to make a statement. Do you have something I could introduce for the record?

STATEMENT OF HON. RON de LUGO, DELEGATE TO THE VIRGIN ISLANDS

Mr. DE LUGO. I want to thank the gentleman for the courtesy extended to the Resident Commissioner of Puerto Rico and myself when we visited with you about 1 week or 10 days ago on this matter. I have a prepared statement with attachments. I would like to ask unanimous consent that they be placed in the record.

Senator MOYNIHAN. With the greatest pleasure.

Mr. DE LUGO. Thank you very much.

Senator MOYNIHAN. If I may ask Senator Dole, who has had the kindness to join us, do you have any questions?

Senator DOLE. Not right now. I came to hear the testimony.

Senator MOYNIHAN. We have heard some compelling testimony. We heard the President's view on this matter, stated by inference.

As you know, I am sorry to report that the Secretary of HEW stated that they did not feel that the Congress should address this matter at this time. You have heard that, Governor.

Mr. de Lugo?

Mr. DE LUGO. I would like to comment on that, Mr. Chairman.

I think that Senator Talmadge just a little while ago stated that the problems addressed by this committee are now, while welfare form, of course, is in the future.

The chairman of the full committee said it very well, too, when he stated that there are some problems that cannot wait and have to be taken care of right now. Welfare reform is several years down the line.

Senator MOYNIHAN. So it seems.

We thank you for coming.

Senator Dole?

Senator DOLE. Just one question. What is the estimated cost if we would do what you suggest, Governor, in all three areas?

Governor KING. Cost $3.2 million.

Senator DOLE. Taking off the cap and including the possibility for SSI payments?

Governor KING. Yes, sir.

Senator DOLE. What is the big objection, the fact that no income tax is paid?

Mr. DE LUGO. If I might address myself to that, Senator Dole, the Department addressed itself to that question in October of 1972 when the HEW Under-Secretary's Advisory Group on Puerto Rico, Guam and the Virgin Islands issued a report that concluded that the current fiscal treatment of Puerto Rico, Guam and the Virgin Islands is undeniably discriminatory. It went on to say while the legitimate obligations of Puerto Rico and the territories to contribute to the general tax revenues should be considered within the context of their overall political relationship to the Federal Government, there is little justification for addressing this issue within the context of the Social Security Act.

I may also point out that while we do not pay taxes into the Federal Treasury, the people in the Virgin Islands, American citizens in the Virgin Islands, actually pay a higher percentage in taxes than the national average at the present time.

As you know, it has been the policy of the Congress of the United States that the territories should retain these tax moneys to help build their economies.

Senator DOLE. I am not suggesting that I would oppose it for that purpose. I think the record should be clear that taxes are not paid to the Federal Treasury; when we talk about discrimination against any citizen we have to make the record complete. That is a factor.

I have not heard the administration witnesses. I do not know their reasons for objecting, except that I assume they want to wait until welfare reform comes along.

I tend to share your view—that may happen next year, maybe 10 years from now. We may not want to wait that long.

Governor KING. Senator, because of the frequency with which this particular point is raised, I wonder if I might indulge on you, sir, and make three points, portions of which were already stated by the Delegate with respect to this question.

There is evidence indicating that the tax burden of the Virgin Islands is comparable to the stateside burden. A proportionate share of Virgin Islands income goes toward taxes.

Second, the argument is certainly not valid in the context of the welfare funding issue. As I pointed out, the Virgin Islands have paid more directly toward welfare support and as citizens, these are not included in a lot of Federal funded program grants.

Why should the poor citizens in the territories be made to bear this burden?

Third, in the 1936 Act, Congress replaced the local income tax with the Federal U.S. tax and legislated that the Federal taxes remain in the islands to promote economic development. It does not seem reasonable that Congress is giving on the one hand and taking away on the other.

In any event, if there is any difference in the treatment of the territories because they retain Federal taxes, it has to be looked at in the context of overall relationships, as the Delegate appropriately pointed out, of the territories and the United States, not in reference to categorical grants and welfare.

Senator DOLE. Is it fair to say that none of the recipients of these three programs would be taxpayers in any event, whether they lived in the Virgin Islands or in any one of the States?

The only point is that, that is always the argument raised: if you want to pay taxes, then you should share the benefits. The record should disclose your rebuttal to that question and thus make the record complete. Whoever makes a judgment can make it on the basis of the full record.

Thank you.

Senator MOYNIHAN. We thank you, Governor.

We thank you, Mr. de Lugo, our good friend and colleague.

Mr. DE LUGO. I would like to make a final point. If we wait for welfare reform, we may wait indefinitely. As I recall, when you were at the other end of the street working on the original welfare program that came here some years ago, we were included in original reform proposal. We were then knocked out of SSI and the other provisions that we have in this bill.

The people we are talking about are not welfare chiselers. These are people who are blind and elderly. They are getting presently $50 a month in an area where, as it has been pointed out by the Governor, the cost of living is 20 to 25 percent higher than the cost of living on the mainland.

Thank you very much.

Senator MOYNIHAN. We are beginning to sound like a play by Samuel Beckett—"Waiting for Welfare Reform." Educational television should do something about that.

Thank you, gentlemen.

[The prepared statement of Delegate de Lugo follows:]

PREPARED STATEMENT OF HON. RON DE LUGO

Mr. Chairman and distinguished members of the Senate Finance Subcommittee on Public Assistance, I am grateful for this opportunity to testify in support of Title II of H.R. 7200, legislation which would eliminate certain discriminatory treatment of the Virgin Island under the public assistance provisions of the Social Security Act. The purpose of these provisions, which were unanimously approved by the House Ways and Means Committee, is to guarantee equal protection under the law by extending to residents of the United States Virgin Islands the same rights and benefits already enjoyed by residents of the several states and the District of Columbia.

Under the present law, the Virgin Islands, Guam and Puerto Rico are excluded from participating in certain Social Security programs; in others they are limited in the amount of Federal funds received as a result of arbitrary Federal ceilings and lower matching rates than if these areas were entitled to state-like treatment. A complete list of the discriminatory provisions of the Social Security Act as they affect the Virgin Islands is appended as Table I at the end of my statement, but briefly let me outline to you the major ones:

(1) *Income maintenance and services.*—Section 1108 imposes a ceiling of $800,000 on Federal funding for income maintenance and services in the Virgin Islands. At the same time, the law restricts the Territory to a 50% Federal matching rate for income maintenance and a 60% rate for training and AFDC social services. The Virgin Islands would qualify for 75% Federal matching if it were treated like a state.

Since the $800,000 Federal ceiling was last adjusted in 1972, the AFDC caseload in the Virgin Islands has risen from approximately 800 cases to over 1,200 in 1976, and inflation has reduced the real value of Federal financial assistance available under the ceiling to less than 60% of their 1972 value. The principal impact of the ceiling and lower matching rates has been to force the Virgin Islands to overmatch the Federal share just in order to maintain its caseload, even without adjusting its needs standard for inflation. In fiscal year 1975, the Virgin Islands spent $2.3 million for income maintenance—nearly three times the Federal ceiling. The U.S. Department of Health, Education, and Welfare estimates that the local share could rise to $3.4 million by fiscal year 1978, if the present funding arrangement remains unchanged. HEW has also concluded that these limits have adversely impacted program administration, training, and research and evaluation efforts in the Virgin Islands.

(2) *Medicaid.*—Section 1108 also imposes a ceiling of $1 million in Federal funding for the Medicaid program in the Virgin Islands, while again restricting the local Government to a 50% Federal matching rate.

According to HEW estimates, the Virgin Islands is expected to exceed the $1 million ceiling in fiscal year 1977, forcing the local Government to overmatch the Federal share in the same manner that it already does with respect to cash assistance programs. In addition, the Virgin Islands is spending nearly $1 million of its own funds for medical services for alien workers who cannot qualify for Title XIX services because they are not U.S. citizens. These expenditures reflect the increase in the aggregate caseload from 25,000 cases in 1972 to 34,000 in 1976—a rate increase of approximately 11% a year. The end result will be that adequate medical services for the poor in the Virgin Islands may suffer, as all future increases in the Medicaid program will have to be financed entirely out of local funds.

(3) *Title XX social services.*—In 1975, when the different social services programs were consolidated into a single block grant program, the Virgin Islands was allocated $500,000 a year, but only on the condition that there be sufficient funds left unspent by the states to cover the amount. If the Territory were treated like a state under the program, it has been estimated that the local Government would qualify for almost double that amount—approximately $1 million a year on a guaranteed basis. If these funds were available, they could be used to meet some of the long-standing social service needs in

the Virgin Islands, such as the establishment of a group home care program, as well as strengthening our youth services program.

(4) *Supplemental security income program.*—The Virgin Islands is presently excluded altogether from the benfits of the Supplemental Security Income Program (S.S.I.). Instead, the Territory is required to provide assistance to its blind, disabled and elderly poor under the old categorical programs which Congress repealed for all other jurisdictions. Moreover, these assistance programs fall under the $800,000 Federal ceiling for income maintenance, the combined effect of which is to limit the average payment for these individuals to approximately $50 per month, or barely 1/3 of the benefit level they would be entitled to if they were eligible for S.S.I.

Since S.S.I. is completely Federalized, its extension to the Virgin Islands would free local monies to raise benefits levels in other welfare categories, and to adjust the needs standards to compensate for the ravages of inflation for the first time in years. Under the present law, United States citizens are denied the benefits of an important social program, exclusively on the basis of their residence in the Virgin Islands. It is ironic that a citizen of New York who receive S.S.I. benefits and moves to the Virgin Islands suddenly finds himself no longer eligible. It is not only ironic, but I should point out that a United States District Court has also found it unconstitutional.

(5) *Prouty program.*—The Virgin Islands is also excluded from the Prouty Program, which provides a minimum Federal income to persons who attained the age of 72 in 1968 and who do not qualify for Social Security benefits. While the number of persons who would qualify for Prouty benefits if the program were extended to the Virgin Islands is obviously decreasing every year, this exclusion prevents a small group of Virgin Islanders from enjoying a dignified life in their declining years solely on the basis of their residence.

The net result of all of these provisions is a welfare burden to the fiscally stapped Virgin Islands Government that is disproportionately higher than that of individual states. The Federal Government provides only about 30% of total welfare costs in the Virgin Islands, whereas in States with similar conditions, the Federal Government pays up to 75% of total costs. Limited entitlement under the Social Security Act has also resulted in gross inequities for low-income persons in the Territory by forcing the local Government to set unrealistically low needs levels ($166 a month for a family of four under AFDC). The low needs standards have served to deny public assistance to a significant number of needy Virgin Islanders: as of 1976, just over 4,000 persons in the Territory out of a population of approximately 100,000 were receiving some form of cash assistance, while unemployment hovered around the 10% level and the cost of living was about 20% higher than on the mainland.

The principle justification for discriminatory treatment of the Virgin Islands under the Social Security Act has been its special tax status. However, in October of 1976, the HEW Under Secretary's Advisory Group on Puerto Rico, Guam and the Virgin Islands issued a report which concluded that "the current fiscal treatment of Puerto Rico and the territories under the Social Security Act is unduly discriminatory and undesirably restricts the ability of these jurisdictions to meet their public assistance needs." The report went on to recommend full state-like treatment for the off-shore areas, arguing that "while the legitimate obligations of Puerto Rico and the territories to contribute to general Federal tax revenues should be considered within the context of their overall political relationship with the Federal Government, there is little justification for addressing this issue within the context of the Social Security Act."

This conclusion is in accordance with statements of general policy the present Administration has made with respect to the off-shore territories. In a recent message to Governor Carlos Romero Barcelo, President Carter stated, "Too long have some sectors of Washington approached Puerto Rico on a dividing 'we and you' basis, forgetting that Puerto Rico is an island where over three million American citizens live. As President of the United States, you can be assured that I will be conscious of the needs of all American citizens, wherever they may be. . . . The Constitution of the United States does not distinguish between first and second class citizens."

Rather, the Constitution specifically guarantees equal protection under the law to all United States citizens, regardless of where they may live. The logic of the constitutional argument, moreover, is strengthened by the fact that while the people of the Virgin Islands do not contribute to the Federal Treasury, neither do millions of Americans who are unable to pay taxes because of economic circumstances. In the final analysis, neither of these circumstances relieves the Federal Government of its responsibilities to these citizens.

A more realistic test of whether the Virgin Islands is paying its fair share is (1) the total tax burden, and (2) local per capital contribution to public assistance needs. As regards the first test, the total tax burden for the United States as a whole in 1972—Federal, state and local—equaled 28.1% of the Gross National Product. The total tax burden for the Virgin Islands in that same year has been estimated to be slightly over 28.5% of the Territory's Gross Domestic Product. While the Virgin Islands committed a slightly higher percentage of its Territorial Product to taxes, than the country at large, per capita income is approximately 35% lower than the mainland average, while the cost of living is again 20% higher. The bottom line, then, is that Virgin Islanders pay a higher proportion of their real income in taxes than do their mainland counterparts in comparable income brackets.

As regards the second test, in 1975, the Virgin Islands contributed approximately $14.85 per capita in local funds as its share for AFDC. In contrast, Alabama contributed only $4.05 per capita in state revenues for its AFDC program in that same year. All of this is to suggest that the people of the Virgin Islands are not getting a "free ride" and that discriminatory treatment cannot be reasonably justified, if the Virgin Islands is to continue to meet its mandated public assistance requirements.

To the end of equal protection, I have introduced legislation (H.R. 6745) which provides for immediate state-like treatment of the Virgin Islands for all public assistance programs under the Social Security Act. The increased cost to the Federal Government of these reforms is almost negligible when compared to the total national welfare budget; according to HEW estimates, appended as table II, the increased costs for state-like treatment of the Virgin Islands would only be approximately $11 million.

While the Under Secretary's Report mentioned above also recommended full state-like treatment, it did suggest a number of ways in which to do it, including phasing in reforms over a three year period. The House Ways and Means Committee took a major step in this direction when last May it voted unanimously to extend the Supplemental Security Income Program, eliminate the Federal ceilings on cash assistance programs, and revise administrative procedures in the Title XX Program for the benefit of the United States citizens in the Virgin Islands, Guam and Puerto Rico.

Mr. Chairman, the distinguished Members of this Committee have acted time after time to make life better for all of our people, no matter what their economic circumstances and no matter where they live. I respectfully urge that this Subcommittee continue its commitment to equal protection under the law by approving the House language in H.R. 7200 as it is applied to our offshore territories.

Thank you very much.

DISCRIMINATORY PROVISIONS OF THE SOCIAL SECURITY ACT FOR THE VIRGIN ISLANDS

Assistance categories	Authorizing legislation	Federal share		Special ceiling	Special legislative provisions for Virgin Islands and other territories
		Virgin Island	State		
Old age, blind and disabled payments.	Title I, X and XIV.	50 percent.....	100 percent [1]	Within $800,000, limit on payments.	Old age sec. 3(a) (1) and (2)—50 percent, blind sec. 1003(a) (1) and (2) 50 percent, disabled sec. 1403(a) (1) and (2)—50 percent sec. 1108(a)—$800,000 limit.
OABD payments administration.	.....do.....	.....do.....	.....do. [1].....	.....do.....	Section 1108(a)—$800,000 limit.
AFDC payments.....	Title IVA.....	.....do.....	60 to 75 percent.	.....do.....	Sec. 403(a) (1) and (2) 50 percent matching, sec. 1108(a)—$800,000 limit, sec. 402(a) (7) and (8) amended by Public Law 90-248, sec. 248 (c)—lower income disregards.
AFDC payments, administration and training.	.....do.....	50 percent administration and 60 percent training.	50 percent administration and 75 percent training.	.....do.....	Sec. 1108 (a)—$800,000 limit, sec. 403 (a) (3) as amended by sec. 248 (b) of Social Security Amendments of 1967—60 percent matching.
Child welfare services.	Title IVB.....	66.6 percent..	33.3 to 66.6 percent.	None.....	Sec. 423 (a) and (b)—66.6 percent matching.
WIN and family planning.	Title IVC and IVA.	90 percent.....	90 percent.....	$65,000.....	Sec. 403 (a)—family planning matching, sec. 402 (a) (15)—family planning services requirements, sec. 1108 (b)—$65,000 payment limit.
Old age, blind, disabled social services.	Title I, X and XIV.	75 percent.....	75 percent.....	Within $800,000 limit on payments. Within $500,000, [2] limit for title XX.	Sec. 1108 (a)—$800,000 limit, sec. 2002(a)(D)—$500,000 limit, title XX.
AFDC social services..	Title IVA.....	60 percent.....	.....do.....	.....do.....	Sec. 1108(a)—$800,000 limit, sec. 2002 (a) (D)—$500,000 limit title XX, sec. 403(a)(3) as amended by Social Security Amendment of 1967—60 percent matching.
Medical assistance (medicaid).	Title XIX.....	50 percent.....	60 to 75 percent.	$1 million limit.....	Sec. 1108 (c).

[1] For States, these categories of recepients are included in the Federal supplemental security income (SSI) program.
[2] For States, social services programs for AFDC, and OABD consolidated under Title XX at 75 percent matching rate; Virgin Islands not included under title XX but special provision allows Virgin Islands to receive a maximum of $500,000 from funds unexpended by the States to be used for social services.

Prepared By: Department of Social Welfare and Government of the Virgins Islands.

Note.—In addition, sec. 1101 (a) defines the Virgin Islands as a State only for the purpose of specific titles in the Social Security Act.

TABLE II.—VIRGIN ISLANDS

(Dollars in millions)

	Virgin Islands cost (25 pct)	Department of Health, Education, and Welfare cost (75 pct)	Present Department of Health, Education, and Welfare cost
AFDC	$2.3	$6.9	$0.8
Medicaid	1.0	3.0	1.0
Supplemental security income		2.0	
Prouty		.4	
Title XX	.33	1.0	.5
Total	3.63	13.3	2.3

Note.—Increased cost to HEW—$11 million.

Senator MOYNIHAN. We now have another very pleasant opportunity for this committee. It is an honor to have the Governor of Puerto Rico, the Honorable Carlos Romero-Barcelo; and our good friend and colleague, the Honorable Baltasar Corrada, Resident Commissioner.

We welcome you, gentlemen.

Governor, we do not see you as often as we would like. Your colleague is well known to us.

STATEMENT OF HON. CARLOS ROMERO-BARCELO, GOVERNOR OF PUERTO RICO

Governor ROMERO-BARCELO. Thank you, Mr. Chairman and Senator Dole.

My name is Carlos Romero-Barcelo. I appear as Governor of Puerto Rico on behalf of 3 million U.S. citizens residing on the island. To my left is our Resident Commissioner, Baltasar Corrada.

Mr. Chairman, we know that you are aware of our problems and we appreciate the fact that you understand our situation better than most people. Most legislators from New York understand our problem quite well.

For years, as you know, the people of Puerto Rico have been struggling to pull up from the poverty circle. We have made great strides to improve our economic and social conditions. We must do much more.

For despite our efforts and despite the assistance we have received from the Federal Government, according to the 1970 census, 35 percent of the families in Puerto Richo had incomes of less than $2,000 per year. That is almost 200,000 families out of a total of 565,000 families.

Between 1960 and February of 1977, we created 204,000 new jobs and yet today in Puerto Rico, the official rate of unemployment stands at about 20 percent. In 1975, Puerto Rico's personal income per capita was $2,230; the lowest personal income per capita among the States in 1975 was Mississippi's: $4,050.

In combination, severe poverty and high unemployment have generated extensive public assistance needs in Puerto Rico. While our needs are large and our resources limited, we have not received appropriate treatment under various sections of the Social Security Act.

Under the public assistance provisions of the act, Puerto Rico has a ceiling of $24 million with a 50–50 matching formula.

We are also excluded from SSI and from the Prouty program.

Funds for Services to adults are matched on the basis of 75 percent Federal funding to 25 percent local funding, on a 60–40 ratio for Services to Families with Dependent Children.

By contrast, the matching formula for the 50 States is on the basis of per capita income except under title IV–A where a 90 to 10 matching formula applies on a uniform basis. Mississippi receives $87 for every $13 of local funds in their financial assistance programs; New Jersey receives $75 for every $25.

In comparison, Puerto Rico, with a much lower per capita income than Mississippi and New Jersey is granted $50 for every $50 locally appointed.

The bottomline is this: At best the average Puerto Rican welfare recipient draws only one-fourth as much from public assistance programs as does his mainland counterpart, and in some instances this share drops as low as one-tenth.

This funding relationship would not be that critical if we could apportion more local funds, or if our cost of living were not appreciably higher than the mainland's—the last figure we have is 14 percent higher.

Our local funds are limited because of lack of resources even though local taxes in Puerto Rico are exceedingly high. An average family pays higher income taxes in Puerto Rico than they do on the mainland, that includes the Federal income tax, State income tax, and city and local income taxes.

The legislative recommendations which are before this subcommittee bring forth funding levels and matching formulas which will allow for expansion of services while that expansion is within the fiscal possibilities of the Government of Puerto Rico. While I favor immediate treatment as a State for Puerto Rico, I support the proposed legislation as a measure of social justice which will enable us to continue our struggle against the dehumanizing effects of poverty.

Mr. Chairman, I must emphasize that increased Federal allocations amounting to $52 million would not help the Puerto Rican poor in the short run unless the formula of 50–50 matching is changed. Puerto Rico does not have the resources to match $52 million. We urge that Puerto Rico be treated like a State as soon as possible. I suggest a 5-year phase-in for this program. Federal contributions would gradually increase to 70 percent in fiscal year 1978 and 1979 and 73 percent in fiscal year 1980; 76 percent in fiscal year 1981; and 80 percent in fiscal year 1982.

Federal contributions and Puerto Rico's contributions, year by year, are shown in table 2 in the addendum to my written statement.

To conclude, Mr. Chairman, in these times of high unemployment and decreased spending power, all Americans, regardless of place of residence, should share equally in those programs which are aimed at meeting the most basic needs of those most vulnerable to poverty. It has been said that because U.S. citizens residing in Puerto Rico pay their income taxes into the local Treasury rather than into the Federal Treasury, severe limitations imposed on Federal aid to Puerto Rico are justified. But we are not dealing here with taxpayers. We

are dealing here with the indigent, with dependent children, with the elderly, the disabled, and the blind—with people who would not be paying Federal taxes whether they lived in Puerto Rico, Maryland, or Virginia.

In any event, it is a basic principle of public finance that the payment of general taxes does not entitle one to any particular level of benefit in return. Conversely, the absence of a tax liability does not disqualify one for Government aid.

The thrust of the Nation's public assistance programs has been towards distributive justice. The goal is to lessen the social and economic impact of extreme income disparities among individuals and regions of the country. Since public assistance programs are thus designed for the benefit of people who are not usually taxpayers, making benefits contingent upon the payment of taxes would contradict the very purpose and public policy behind the legislation.

We do not pretend that we are dealing with a one-way street. Consider this: Only four foreign nations import more U.S. goods than does Puerto Rico, since we purchase annually 2.5 billion dollars' worth from the other 50 States. It is with great pride that I can state before this subcommittee that in this century only 14 States have had more sons and daughters serve in the Armed Forces of the United States than has Puerto Rico, even though we are 26th in population.

Finally, I know you are aware that all persons employed in Puerto Rico pay their full share of Federal Social Security taxes under the same requirements as their counterparts elsewhere in the United States, and even though this was true at the passage of the Prouty amendment, we were excluded from that program.

Mr. Chairman, in a message which President Carter sent to me at the time of my Inauguration as Governor of Puerto Rico, he stated that:

> **There are more than 15 million citizens of the United States who speak Spanish, including 5 million Puerto Ricans, who have, for whatever reasons, often been kept out of the American mainstream. I repeat my pledge to the People of Puerto Rico and to your Hispanic brothers and sisters in the mainland: you have my commitment to protect and safeguard your heritage and your full rights.**
>
> **The Constitution of the United States does not distinguish between citizens. We do not have in our country first- and second-class citizens. We are all Americans, without distinction of color, creed, sex, religion, and * * * without distinction of language.**

Mr. Chairman, by extending these programs to Puerto Rico, this committee, the Senate and the Congress as a whole can participate in that same commitment and in those same ideals. We urge you to take positive action on these issues.

I thank you for this opportunity to discuss the application of SSI to Puerto Rico and the elimination of the ceiling for the AFDC program.

I will be pleased to answer any questions which the committee members might have.

Senator MOYNIHAN. We thank you, Governor. I cannot but say, sir, that that was an extraordinary, succinct and persuasive statement of the question of distributive justice in relation to the tax system.

Your neighbors from the Virgin Islands noted that there was a Republican administration when they first proposed a welfare reform system that would include the West Indian territories, the Common-

wealth and the Virgin Islands. I would note that the proposal that Puerto Rico should share in the SSI program was proposed by Mr. Corrada's predecessor, Mr. Benitez, the equivalent of more or less the Democratic Party. We have a crossing of party lines on these matters, both on the mainland and in the islands, and appropriately so, because the issues here are not partisan. They are issues of principle. They are constitutional issues.

Senator Dole?

Senator DOLE. I thought that perhaps the Commissioner would want to make his statement.

Senator MOYNIHAN. With Mr. de Lugo and Governor King, we had men in opposite parties. These two gentlemen are in the same party. But I do not want to diminish your opportunity.

STATEMENT OF HON. BALTASAR CORRADA, RESIDENT COMMISSIONER, PUERTO RICO, ACCOMPANIED BY DR. JENARO COLLAZO, SECRETARY OF SOCIAL SERVICES, PUERTO RICO

Mr. CORRADA. In national policies, the Governor is Independent. I am a Democrat. There may be a slight difference there.

I would just like to make a very brief statement, since the Governor has stated our position in depth. I want to make it clear for the record that the funds needed to implement title II are already included in the first concurrent budget resolution, therefore, both the House and Senate have, in principle, committed funds for this purpose, and I would like to have your permission to present for the record letters I have received from Congressman Robert Giamo, chairman of the House Budget Committee, and the House Majority Leader, Jim Wright, to that effect.

Senator MOYNIHAN. Thank you. We will be happy to receive them.

Mr. CORRADA. They are a part of my statement, which I also will submit for the record.

Mr. CORRADA. Mr. Chairman, I, like the Governor of Puerto Rico, would like to appeal to the committee's sense of justice and urge you to put an end now to this gross discrimination against the U.S. citizens who reside in Puerto Rico.

During his testimony last week Secretary Califano of HEW stated, in answer to a question from Senator Moynihan, that the administration wanted to deal with the question of the territories in the context of welfare reform and would have their recommendation in August. Why the delay?

Everybody knows that welfare reform will take several years. Even the administration is conceding that it will not be implemented until 1980 or 1981, at the earliest.

Will the elderly, the blind and the disabled of Puerto Rico be asked to wait until then so that they can get the relief that they should have received at least 3 years ago when, in 1974, this program was implemented?

Senator Long expressed this same feeling when he said to Secretary Califano at these hearings last week that obviously there are some problems that have to be taken care of right now, and there is no need to wait for welfare reform.

So I urge you, in the name of justice and equity, to act favorably on this legislation and to extend to Puerto Rico on the basis provided

in this bill, the SSI, remove the ceiling from AFDC, and approve also the provisions relating to title XX.

Thank you very much.

Senator MOYNIHAN. We thank you.

Senator Dole?

Senator DOLE. Perhaps it is in your statement, Governor, but what would be the estimated cost if we were to apply the programs as you suggest in your statement?

Governor ROMERO-BARCELO. For the first year, the cost would be $150 million.

Senator DOLE. That is the total cost of all the changes you are recommending, including SSI and the other changes?

Governor ROMERO-BARCELO. That is correct. If the program were to be fully implemented, and the benefits were extended to Puerto Rico as a State, the estimated cost would be $250 million.

We feel that a phasein would be reasonable enough.

To give you an idea of the needs of the people of Puerto Rico, let me just read very briefly the average payments that are being made in Puerto Rico.

The average payments are: $19.03 a month for an elderly person; $13.61 a month for the blind; $14.31 a month for disabled adults; and an average of approximately $45.62 a month for a family that qualifies for AFDC.

With those payments and the cost of living, which as I indicated, is approximately 14 percent higher than the national average——

Senator DOLE. Do they qualify for food stamps?

Governor ROMERO-BARCELO. They do qualify for food stamps.

Senator DOLE. That has been one concern. About one-twelfth of the entire cost of the food stamps program has been absorbed in Puerto Rico.

Governor ROMERO-BARCELO. Many of these families themselves have a problem with the food stamps. They do not have the money to make any payment.

Senator DOLE. We are hoping to change the food stamp program to eliminate the purchase requirement. That would help the people you mentioned. That has been done on the Senate side. It probably is being passed on in the House this coming Wednesday. That would be an improvement.

There was some criticism about the food stamp program. It is very loosely administered in Puerto Rico. You could buy a television set. You could buy anything with food stamps.

I know of some efforts to tighten that up, because it was getting a lot of criticism.

Governor ROMERO-BARCELO. I was, myself, critical of the administration of the food stamp program in Puerto Rico. We have been working very, very hard. We have already developed a program for monitoring and trying to keep track of it, not only the users, but the people who are allowed to change the food stamps.

Senator DOLE. How many people would qualify for SSI benefits in Puerto Rico if we include Puerto Rico, Guam and the Virgin Islands?

Governor ROMERO-BARCELO. In Puerto Rico 112,000 aged; 60,000 disabled; 6,000 blind. The almost unbelievable situation is that people

who are not citizens after 30-days of residence qualify for SSI benefits.

Senator DOLE. That may cause some relocation from Puerto Rico to other parts of the States. There is no question of qualifying there. You cannot qualify at home. It seems to me to be rather inconsistent and not in their interests or our interests either, or the interests of the recipients.

Governor ROMERO-BARCELO. We do not know the exact number, but certainly quite a few thousand people from Puerto Rico have moved to the mainland particularly, New York, Newark, and Philadelphia for the specific reasons of qualifying for some of these payments.

Senator DOLE. I am certainly sympathetic with the views expressed by these two witnesses and the previous witnesses. I would be happy to work with the chairman of the subcommittee to see if we can find some solution. I think if we wait for welfare reform, we may wait indefinitely—I just do not know how long that reform will take.

Senator MOYNIHAN. We may be eligible ourselves.

Senator DOLE. By then, Republicans will be in control of everything.

Senator MOYNIHAN. I certainly want to share and associate myself with the statement of my cherished and respected colleague, a much senior member of this committee, that an issue of equity is here and may be put very eloquently, as you have done, Governor, or more plainly and perhaps even more effectively, as you have, Senator Dole, when you said you are eligible in these benefits anywhere in the United States except at home. That does not make much sense.

I think you have stated your case eloquently and certainly effectively. We want to thank you for coming to visit with us, Governor, and bringing your respected colleagues. We thank you very much.

Governor ROMERO-BARCELO. May I ask permission to file the complete statement?

Senator MOYNIHAN. Without objection, they will be included in the record.

[The prepared statements of Governor Romero-Barcelo and Commissioner Corrada follow. Oral testimony continues on p. 207.]

PREPARED STATEMENT OF CARLOS ROMERO-BARCELO, GOVERNOR OF PUERTO RICO

Mr. Chairman, Members of the Subcommittee: I am Carlos Romero-Barcelo, Governor of Puerto Rico, and I appear before you today on behalf of 3 million United States citizens residing in Puerto Rico, to testify in support of H.R. 7200, the Public Assistance Amendments of 1977. With me are Baltasar Corrada, our Resident Commissioner, and Jenaro Collazo, our Secretary of Social Services.

Mr. Chairman, we know that you are aware of our problems and we appreciate the fact that you understand our situation better than most people. For years, as you know, the people of Puerto Rico have been struggling to pull up from the poverty circle. We have made great strides to improve our economic and social conditions. We much do much more. For despite our efforts and despite the assistance we have received from the Federal Government, according to the 1970 census, 35 percent of the families in Puerto Rico had incomes of less than $2,000 per year; this is, almost 200,000 families out of a total of 565,000 families. Between 1960 and February of 1977, we created 204,000 new jobs. And yet today in Puerto Rico, the official rate of unemployment stands at about 20 percent. In 1975, Puerto Rico's personal income per capita was $2,280; the lowest personal income per capita among the states in 1975 was Mississippi's: $4,050.

In combination, severe poverty and high unemployment have generated extensive public assistance needs in Puerto Rico. While our needs are large and our resources limited, we have not received appropriate treatment under various sections of the Social Security Act. Under the income maintenance provisions of the Act, Puerto Rico has a ceiling of $24 million with a 50-50 matching formula. We are also excluded from SSI and from the Prouty program. Funds for Services to Adults are matched on the basis of 75 percent Federal funding to 25 percent local funding, and on a 60-40 ratio for Services to Families with Dependent Children. (By contrast, the matching formula for the 50 states is on the basis of per capita income except under Title IV-A, where a 90 to 10 matching formula applies on a uniform basis). Mississippi receives $87 for every $13 of local funds in their financial assistance programs; New Jersey receives $75 for every $25. In comparison, Puerto Rico with a much lower per capita income than Mississippi and New Jersey, is granted $50 for every $50 locally apportioned.

The bottomline is this: at best the average Puerto Rican welfare recipient draws only one fourth as much from public assistance programs as does his mainland counterpart, and in some instances this share drops as low as one tenth. This funding relationship would not be that critical if we could apportion more local funds, or if our cost of living were not appreciably higher than the mainland's. Our local funds are limited because of lack of resources, even though local taxes in Puerto Rico are exceedingly high. The legislative recommendations which are before this Subcommittee bring forth funding levels and matching formulae which will allow for expansion of services while that expansion is within the fiscal possibilities of the Government of Puerto Rico. While I would favor immediate treatment as a state for Puerto Rico, I support the proposed legislation as a measure of social justice which will enable us to continue our struggle against the dehumanizing effects of poverty.

1. EXTENSION OF THE SUPPLEMENTAL SECURITY INCOME (SSI) PROGRAM TO PUERTO RICO

The Public Assistance Titles of the Social Security Act were extended to Puerto Rico in the year 1950. Eligibility requirements for assistance in Puerto Rico are the same as those in the States.

As established by the Social Security Act, the ceiling on Federal funds for Puerto Rico is $26 million for both Public Assistance and Services under Title IV-A. The matching formula is different from most of the states, as Puerto Rico, despite the intensity of its poverty, must match the Federal funds on a 50-50 basis.

The standards for granting assistance were revised in 1969 and adjusted to the cost of living index of that year. Budgetary standards covered fixed amounts for food, clothing, and other basic needs of the families. Rent is provided on the basis of actual expenditures for that purpose. The payments made cover only 40 per cent of minimum needs, based on 1969 standards. Considering the current cost of living, we are only providing 23 percent of minimum needs to eligible persons. The average payments are $19.03 a month for an elderly person, $13.61 a month for the blind, $14.31 a month for disabled adults, and an average of approximately $45.62 a month for an A.F.D.C. family.

As of January 1974, Federal grant-in-aid to the States for Public Assistance for the aged, blind and disabled, were discontinued, and instead, a new Federally administered Supplemental Security Program (SSI) was implemented. The purpose of this new program was to provide a minimum income for the aged, the blind, and disabled categories of adults who could not be expected to earn an adequate income.

Since Puerto Rico is excluded from SSI, we continue operating the Aid to the Aged, Blind, and Disabled Program which is no longer adequate for the States.

We have estimated that the total cost of the full SSI program in Puerto Rico would be $250 million in FY 1978. The program would benefit the estimated 112,000 aged, 60,000 disabled, and 6,000 blind who are residents of Puerto Rico. Benefits, under the program, are assumed to be $177.80 per person and $266.70 per couple, staring October 1977.

We are fully cognizant of the high cost of the program at a time when we are trying to cope with ever increasing expenditures of Federal funds. Therefore, we are willing to work with benefit levels under the SSI program, ac-

cording to the ratio of Puerto Rico's per capita personal income to that of Mississippi as proposed in the legislation under consideration by this Subcommittee. Under this arrangement, benefit levels can be set at about $107 per individual and $160 per couple. Based on these benefit levels, it is estimated that the SSI program most in Puerto Rico would be around $150 million in fiscal year '78.

At the same time, we believe that equalization of SSI benefits in Puerto Rico with the states' levels over a period of five years would not appreciably distort vertical equity in income distribution. The aged, blind and disabled residents of Puerto Rico, should received 100 percent of (SSI) benefits by fiscal 1982. Assuming coverage and payments do not change, the cost of SSI programs under increasing ratios of payments is shown in Table 1 in the addendum to this statement.

I hope that this subcommittee will decide to accept the phase-in program in order to extend fully the benefits under this program to the residents of Puerto Rico.

2. ELIMINATION OF THE CEILING ON FEDERAL FUNDING FOR THE AFDC PROGRAMS IN PUERTO RICO

Aid to Families with Dependent Children (AFDC) was authorized in Title IV of the Social Security Act of 1935. This was enabling legislation designed to help the states provide financial aid to needy children with one or both parents dead, disabled, or absent from home. The Program was partially extended to Puerto Rico, the U.S. Virgin Islands, and Guam in 1950.

a. Method of Financing of AFDC Programs

The law assured the state federal reimbursement from an open-ended grant for part of the cost of assistance, payments, services, staff training and administration.

The federal match is based on the per capita income of the state, so that New York receives a 50 percent federal participation while Mississippi receives 80 percent in federal economic assistance funds.

Puerto Rico has a Federal Grant with a strict ceiling which was set at $26 million in 1972, including services authorized under Title IV-A.

Puerto Rico has the lowest per capita income under the U.S. flag, yet the Federal match under a closed-end grant is only 50 percent, comparable to New York which has one of the highest per capita incomes in the United States.

With regard to AFDC:

1. Puerto Rico's standard payment of $9.40 toward the minimum necessities of a child in the AFDC Program meets only 23.5 percent of the June 1976 standard.

2. Puerto Rico's standard payment of $13.60 toward the minimum necessities of an adult in the AFDC Program meets only 24 percent of the June 1976 standard.

3. The poorest states in the U.S. receive as high as an 83 percent Federal match for their AFDC Program.

4. The General Fund from which Puerto Rico matches Federal Funds for the AFDC program has had huge deficits in 1973, 1974, 1975 and 1976.

Puerto Rico has been treated inequitably since the AFDC program was extended to it in 1950. Congress can remedy this situation in Puerto Rico by legislating a Federal match of 66.6 percent to 33.4 percent share for Puerto Rico on the anticipated raise of the AFDC Federal contributions from $24 million to $52 million. Under the 66.6: 33.4 formula and Federal contributions of $52 million, in spite of our budgetary deficits, we would recommend to the Legislature to appropriate additional funds.

Mr. Chairman, I must emphasize that increased Federal allocations amounting to $52 million would not help the Puerto Rican poor in the short run, unless the formula of 50-50 matching is changed. Puerto Rico does not have resources to match $52 million.

We urge that puerto Rico be treated like a State, as soon as possible. I suggest a 5-year phase-in for this program. Federal contributions could gradually increase to 70 percent in FY 78–79, 73 percent in FY 80, 76 percent in FY 81 and 80 percent in FY 82. Federal contributions and Puerto Rico's contributions, by year, are shown in Table 2 in the addendum to this statement.

CONCLUSION

Mr. Chairman, in these times of high unemployment and decreased spending power all Americans regardless of place of residence, should share equally in those programs which are aimed at meeting the most basic needs of those most vulnerable to poverty. It has been said that because U.S. citizens residing in Puerto Rico pay their income taxes into the local Treasury rather than into the Federal Treasury, severe limitations imposed on Federal aid to Puerto Rico are justified. But we are not dealing here with taxpayers: we are dealing here with the indigent, with dependent children, with the elderly, disabled, and blind—with people who would not be paying Federal Taxes whether they lived in Puerto Rico, Maryland, or Virginia.

In any event, it is a basic principle of public finance that the payment of general taxes does not entitle one to any particular level of benefit in return; conversely, the absence of a tax liability does not disquality one for government aid. The thrust of the Nation's Public Assistance programs has been towards distributive justice; the goal is to lessen the social and economic impact of extreme income disparities among individuals and regions of the country. Since public assistance programs are thus designed for the benefit of people who are not usually taxpayers, making benefits contingent upon the payment of taxes would contradict the very purpose and public policy behind the legislation.

We do not pretend that we are dealing with a one-way street. Consider this: only four foreign nations import more U.S. goods than does Puerto Rico, since we purchase annually $2.5 billion worth from the other fifty states. And it is with great pride that I can state before this Subcommittee that in this century only 14 states have had more sons and daughters serve in the Armed Forces of the Unted States than has Puerto Rico. Finally, I know that you are aware that all persons employed in Puerto Rico pay their full share of Federal Social Security taxes under the same requirements as their counterparts elewhere in the United States, and even though this was true at the time of the passage of the Prouty amendment we were excluded from that program.

Mr. Chairman, in a message which President Carter sent to me at the time of my Inauguration as Governor of Puerto Rico he stated that:

"There are more than 15 million citizens of the United States who speak Spanish, including 5 million Puerto Ricans, who have, for whatever reason, often been kept out of the American mainstream. I repeat my pledge to the People of Puerto Rico and to your Hispanic brothers and sisters in the mainland: you have my commitment to protect and safeguard your heritage and your full rights.

The Constitution of the United States does not distinguish between citizens. We do not have in our country first and second class citizens. We are all Americans, without distinction of color, creed, sex, religion, and . . . without distinction of language."

Mr. Chairman by extending, these programs to Puerto Rico, this Committee, the Senate and the Congress as a whole can participate in that same commitment and in those same ideals. We urge you to take positive action on these issues, and I thank you for this opportunity to discuss the application of the SSI program to Puerto Rico, and elimination of the ceiling for the AFDC program. I will be pleased to answer any questions which the committee members might have.

TABLE 1.—COST OF SSI APPLICATION TO PUERTO RICO BASED ON DIFFERENT ASSUMPTIONS

	Assumption (percent)	Cost (millions)
Year:		
1978	60	$150.2
1979	70	175.3
1980	80	200.3
1981	90	225.4
1982	100	250.4

Note.—Based on current coverage and payments.

TABLE 2.—IMPACT OF GRADUAL TREATMENT OF PUERTO RICO AS A STATE UNDER THE AFDC PROGRAM

	Federal share (percent)	State share (percent)	Amounts (millions)			AFDC monthly average payment		
			Federal	State	Total	Child	Adult	Case
1977-78....	66.6	33.4	$52.0	$26.0	78.0	$17.52	$28.00	$98.23
1978-79....	70.0	30.0	60.7	26.0	86.7	19.46	31.11	109.13
1979-80....	73.0	27.0	70.3	26.0	96.3	21.62	34.56	121.23
1980-81....	76.0	24.0	82.3	26.0	108.3	24.32	38.87	136.34
1981-82....	80.0	20.0	104.0	26.0	130.0	29.19	46.72	163.65

HON. CARLOS ROMERO-BARCELO, BEFORE CONGRESS, JULY 18, 1977—PUBLC ASSIISTANCE FUNDING IN PUERTO RICO

INTRODUCTION

Federal public assistance funding in Puerto Rico has always confronted problems different from those the legislation was meant to alleviate in the various states. The Federal Working Group on Welfare Reform, which was created to study the entire area of federal public assistance, should be aware of the Puerto Rican context as it goes through its appointed task. The appearance of Puerto Rico before the Federal Working Group on Welfare Reform permits an examination of the present situation: its genesis, operation, and results. The following, therefore, represents an attempt to summarize the situation with respect to federal funding of welfare efforts in Puerto Rico.

This paper consists of five sections. Part I presents the historical background of the application of Puerto Rico of federal legislation in this area. Part II focuses on the resource-allocation process, and how it results in the differential treatment of the Island compared to the fifty states. Part III discusses the effects of federal aid on the administration of health and welfare programs. Special emphasis is given to the effects of administrative requirements on the allocation of local resources. Part IV summarizes the present problems as self-reinforcing ones, requiring careful diagnosis and effective intervention. Part V presents policy recommendations for affirmative action in welfare reform.

Undoubtedly, the interrelated impacts of federal legislation and funding result from complex, difficult-to-understand structures. Each intervention unleashes a set of forces that affect each other. Part of this complexity can be attributed to the existence of positive feedback loops, in which an action produces an effect that in turn reinforces or amplifies the initial action. It is this type of underlying feedback structure which we will try to identify in the area of welfare. We will, therefore, present several diagrams of what we consider to be the casual framework behind the health and welfare situation in Puerto Rico. While these are necessarily simplified—we cannot include every variable affecting every problem—we feel that this type of approach has several advantages. First of all, it provides a common base on which to conceptualize the problem as a whole, with a definition of those key variables affecting it, and their interaction. Secondly, the graphic representation facilitates the diagnosis of the problem and thus provides a way of coming to grips with possible solutions. Lastly, this approach can serve as the first approximation or step in a simulation of the system. If empirical data are available and the causal relationships are quantified and translated into equations, it is then possible to examine the impacts of a variety of changes and provide the answers to "what if . . . ?" kinds of questions.

I. HISTORICAL BACKGROUND

The United States acquired Puerto Rico when Spain ceded the Island at the Treaty of Paris following the Spanish-American War (1898). Puerto Ricans became United States citizens in 1917 through the enactment of the Janes Act.

As United States citizens, Puerto Ricans are entitled to receive the benefits of the federal system of grants-in-aid which are directed at providing help to those who most need it in the areas of income, education, housing, medical care, and other basic needs. In practice, however, federal legislation has

treated Puerto Rico in a variety of ways that are neither consistent with each other nor attributable to differences in need.

In some cases, Puerto Rico is treated as a state, entitled to the full benefits which accrue to citizens residing within the continental limits of the United Staes. This parity is achieved in several pieces of legislation, such as the Comprehensive Employment and Training Act, the Housing and Community Development Act, the Food Stamp Act, the Law Enforcement Act, and the Environmental Protection Act.

In other cases, Puerto Rico is treated differently, either through exclusion of all benefits, or through a differential funding formula by means of which Puerto Rico receives less than its "fair share" of the monies available. Thus, for example, Puerto Ricans are treated differently from other United States citizens under the public assistance and social services titles of the Social Security Act, with which we are particularly concerned here.

Puerto Rico is excluded from the Supplementary Security Income program and the provisions of the Prouty Amendment. The former was enacted in 1974 to replace the programs of Old Age Assistance, Aid to the Blind, and Aid to the Permanently and Totally Disabled. It establishes a national program with uniform standards for eligibility, i.e., identical income and resource tests for all United States citizens. The new program raised benefits in the low-income states by setting a national standard of $130 month. Because of its exclusion, Puerto Rico has continued to operate under the allocation formula of the original Act, with a 50–50 matching requirement. As a result of the failure to extend the SSI program to Puerto Rico, the gap in public assistance payments between the Island and the fifty states has increased. While the U.S. minimum standard was raised to $130, Puerto Ricans in Puerto Rico received a maximum of $22 or 40 percent of full standard. When the national minimum is supplemented by state funds, the gap becomes wider: "In terms of a comparison with New York, where the full standard is $159 and payment is equal to full standard, the new minimum is below current payments. However, under the new amendments New York is allowed to supplement the income based on the national standard. Since New York is relieved of the burden of the costs of the first $130, it can now make substantially more payments to the recipients of the program. . . . A Puerto Rican in New York State would receive $200 per month, or 125 percent of the full standard for basic needs, while a Puerto Rican in Puerto Rico would receive $22 or 40 percent of the full standard for basic needs."[1]

Similarly, although Puerto Rico participates in the Social Security Program, residents are not eligible to participate under the Prouty Amendment, which provides assistance to persons aged 72 and over who were not insured under the regular or transitional provisions of the Social Security Act. At present, some 21,000 elderly Puerto Ricans are unable to receive the benefits of this program.

A more subtle and, therefore, more insidious type of discrimination occurs in cases in which the legislation which confers benefits includes Puerto Rico, but applies differential funding formulas to the Island. This type of practice is carried out through one or both of the following means: (1) the imposition of a higher cost-sharing rate than that for the states, (2) the establishment of a statutory ceiling for each program, whereby federal expenditures for Puerto Rico are held at a predetermined minimum.

The different cost-sharing rate is imposed in most programs, as shown in Table 1. Whereas in the United States the SSI program absorbed all the costs of benefit payments previously paid for by the states, the categorical grants which continue in Puerto Rico require that Puerto Rico match dollar-for-dollar the federal contribution.

Federal aid to provide social services to welfare recipients is distributed among the states based on their respective populations and requires 25 percent cost-sharing. The legislation that applies to Puerto Rico specifies that the federal funds are available only for family planning and work incentive activities. The Federal-to-Commonwealth cost-sharing ratio is 25–75 for work incentive activities and only 10–90 for family planning.

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[1] "An Analysis of Title VI: Supplementary Security Income of the Amended Social Security Act of 1072 on the Commonwealth of Puerto Rico." Submitted by Economica Inc. to the Division of Social Planning, Puerto Rico Planning Board, Commonwealth of Puerto Rico, March 1973. Pages 16–17.

TABLE 1.—COST-SHARING DIFFERENTIALS, UNITED STATES AND PUERTO RICO, 1977

Program	Federal State ratio	
	United States	Puerto Rico
OAA/AB/APTD/AFDC	100 pct (supplemental security income)	50:50.
Social services	75:25	25:75 (work incentives).
Medicaid	Sliding scale	50:50 (family planning).

Medicaid, established under Title XIX of the Social Security Amendments of 1965, is considered to be a milestone in "the recognition of the responsibility of the federal government to participate in the financing of health care for its citizens."[2] For the states, federal expenditures depend on the state's per capita income and vary between 50 and 83 percent. The federal contribution in Puerto Rico, originally set at 55 percent, was lowered to 50 percent in 1968.

The fact that Puerto Rico must match at least on a 50–50 basis the limited federal funds available means that Commonwealth revenues must be devoted to the available categorical assistance, even at the expense of other population groups. As a result, there is no program of aid for families with unemployed parents, nor is there a general assistance program other than a small fund for emergency cases. As with all situations involving line-drawing, there is no assurance that those excluded from receiving benefits are any less deserving than those falling within the "categorical" definitions.

The differentials in cost-sharing ratios are compounded by the establishment of statutory ceilings on federal expenditures. While there is no maximum on federal contributions to the states, the federal public assistance in Puerto Rico has a predetermined "lid" beyond which aid is not available. At present, welfare (OAA, AB, ATPD/AFDC) assistance has a ceiling of $24 million; social services, $2 million; social services (1974 amendments—Title XX), $15 million if left-over funds are available; and Medicaid, $30 million. The imposition of a ceiling necessarily means that the federal assistance declines over time. The per capita amount of aid declines as the same monies must be spread to meet the needs of a growing population. Since population growth has been accompanied by the aging of the Puerto Rican population—and hence by an absolute and relative rise in the number of potential beneficiaries—the situation becomes worse every day. Moreover, since the ceiling is not automatically adjusted to account for increases in the cost of living, the purchasing power of the federal contribution has declined. Not surprisingly, the average welfare recipient in Puerto Rico in 1974 was worse off in real terms in comparison with 1967.[3] Furthermore, the rise in administrative costs coupled with the constraints of a ceiling have meant that the proportion of monies devoted to benefits has tended to decline. The combined effect of these three factors—a growing population, rising inflation, and increasing administrative expenditures—has therefore resulted in declining benefits to public assistance recipients.

A different type of discrimination occurs in the 1974 amendments of the Social Security Act which created Title XX. This title allows for the allocation of $15 million for Puerto Rico provided that those monies are *left over* from funds not used by the States of the total $2.5 billion provision. Administratively this differential treatment caused confusion, leading to the decision that the new Title XX regulations were not applicable to Puerto Rico. Instead, the old Title IV B regulations were found applicable to Puerto Rico. As a result, administrative costs increased disproportionately and program implementation was delayed by two factors: the length of time it took to make the administrative decision on which regulations would apply; and the fact that although the funds were made available by legislation effective October 1, 1975, the funds were not received in Puerto Rico until March 1976. Since the

[2] Howard N. Newman, "Medicare and Medicaid" *The Annals of the American Academy of Political and Social Science.* Vol. 399. January 1972. P. 115.

[3] "Briefing Paper on Puerto Rico's Participation in Federal Welfare and Medical Assistance Programs." Office of the Governor, Commonwealth of Puerto Rico. October 25, 1974. P. 12.

provision of the law called for left-over funds, no allocation could be made to Puerto Rico until all states indicated the amount they expected to use. With only seven months remaining of the 1976 fiscal year for the start-up and operation of new programs Puerto Rico was unable to use the full amount of this limited share of social services funds. Not surprisingly, although the local needs far exceeded the amounts provided, Puerto Rico was unable to use its full allocation.

Another problem with the imposition of a fixed federal allocation is that, once established, it proves to be tenacious and difficult to change. Even when raises have been achieved these have been too little, and too late and have barely kept pace with inflation, the increase in the number of services, and the expansion in the scope of services required by the Federal Government.

Not surprisingly, the differential funding formulas applied to Puerto Rico have resulted in Island beneficiaries receiving only a fraction of what their counterparts in the states are entitled to. As shown in Table 2, at best the average Puerto Rican is getting only a quarter of the United States average, and this share goes down to approximately one tenth in the case of some programs.

TABLE 2.—AVERAGE BENEFIT PER BENEFICIARY OF PUBLIC ASSISTANCE PROGRAM, UNITED STATES AND PUERTO RICO, FISCAL YEAR 1975

Program	Average benefit per month		Percent (b)-(a)
	United States (a)	Puerto Rico (b)	
AFDC	[1] $187	[1] $47.00	25.1
AB	122	15.00	12.3
OAA	122	19.08	15.6
ATPD	122	13.50	11.1
Social services	177	16.00	9.0
Medicaid	110	16.15	14.7

[1] Family.

II. THE DYNAMICS OF RESOURCE ALLOCATION

The differential treatment of Puerto Rico in the allocation of federal funds would be justified if the Island's needs were significantly less than those of the United States. All indicators of social and economic status, however, point out the extent and nature of the problem of poverty in Puerto Rico.

Per capita income in 1973 was $1,836, compared to $4,918 in the United States. This measure, however, fails to give an accurate picture of the conditions under which a large proportion of the Puerto Rican population lives. The income distribution figures show that the median family income is approximately $3,500 while approximately 60 percent of all families have incomes under $4,000 per year. The comparisons with the corresponding U.S. figures, however, tend to understate the size of the gap between the two populations since families in Puerto Rico are larger and the dependency ratio—i.e., the relation between the population that is not economically active (under 15 and 65 years of age and over) and that between the ages of 15 and 64—is higher in Puerto Rico.

Unemployment figures underscore the existing situation. Despite efforts to create employment in the industrial and services sectors, Puerto Rico has been unable to provide enough jobs for those entering the work force. The rate of unemployment, which hovered between 10 and 13 percent even in the decades when Puerto Rico was hailed as the "showcase of the Caribbean" and as a model for the economic development of other countries, has reached unprecedented high levels during the past two years. In June 1975, the official rate reached 19.2 percent. Even this figure may be conservative, since it is based on those actively seeking employment. In an economy of high unemployment, large number of people stop looking for a job after previous attempts

have proved fruitless. Thus, real unemployment is estimated to be closer to 30 percent.[4] As job opportunities have shrunk, heads of families have been particularly affected. During fiscal year 1975, unemployment among heads of households rose by 40 percent, thereby affecting the incomes of a significant number of families.[5]

The Island's economic situation is exacerbated by the high cost of living in Puerto Rico. Because most goods (including foodstuffs) are imported, they are more expensive in the Island than in the United States. Recognizing such a cost differential, the United States Civil Service Commission provides an increase of 7.5 percent of base pay for federal employees in Puerto Rico. For the rest of the population, whose wages and salaries have not kept pace with inflation, the rise in the cost of living has brought about a real decline in economic welfare.

In the light of these conditions, it is evident that Puerto Rico's exclusion from some programs and differential treatment under others is not based on the Island's lesser needs. Rather, the discriminatory nature of federal public assistance funding constitutes a marked violation of the principle of vertical equity, under which those with greater needs receive greater assistance.

An argument that is frequently advanced as the justification for limiting federal aid to Puerto Rico is the fact that the Island is not covered by the Federal Internal Revenue Laws so its inhabitants do not pay federal taxes.

This argument is hardly valid and not fully correct. All residents of Puerto Rico pay their full share of Social Security Taxes under the same requirements of their counterparts residing in the United States Mainland. Federal Income Tax is paid by residents of Puerto Rico employed by the Federal Government a civilian and military employees.

It is a basic principle of public finance that the payment of general taxes does not entitle one to any particular benefit in return, and, conversely, that the absence of taxes does not disqualify one from governmental aid.[6] Once revenues enter the general treasury, they can be appropriated and distributed according to the relative needs of different areas of the country and different subgroups of the population. The aim is thus explicitly redistributive, aimed at leveling extreme income disparities among persons and throughout the country. Thus resources are shifted from the richer to the poorer states, and from the affluent to the poor inhabitants, through a sliding scale in which the federal contributor is inversely related to a state's economic situation: the lower the level of income, the greater the federal share of total funding.

Most public assistance programs are designed for the benefit of persons who are generally not tax payers. To make benefits contingent upon the payment of taxes would defeat the purpose of public assistance and exclude the neediest. The exclusion of Puerto Ricans is patently inequitable, particularly since Puerto Ricans living in the 50 states of the United States are fully entitled to benefits.

The fact that residence rather than need is the major criterion for inclusion of exclusion in federal funding requires further analysis. Paradoxically, Puerto Rico is excluded not in spite of its greater economic need, but precisely for this reason. The inclusion of Puerto Rico is seen as a potential "budget buster" that would limit the monies available to the states. Thus the dynamics that operate with respect to the allocation of public assistance monies to Puerto Rico are as shown in Diagram 1.

The situation is presented as a self-reinforcing cycle because the failure to meet the needs of the Puerto Rican population only aggravates the initial problem, and triggers off the cycle once again. As the gap between needs and resources widens, Puerto Rico continues to lag behind, and its bargaining power vis-a-vis the Federal Government is further eroded.

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[4] H. C. Barton, "Unemployment in Puerto Rico." Statement before the Joint Economic Committee of the Congress of the United States. August 4, 1972.

[5] *Informe Economico al Gobernador 1975.* Junta de Planificacion, Estado Libre Asociado de Puerto Rico. 1976. P. 229.

[6] This argument is refuted in "Briefing Paper . . ." *Op. Cit.* P. 32.

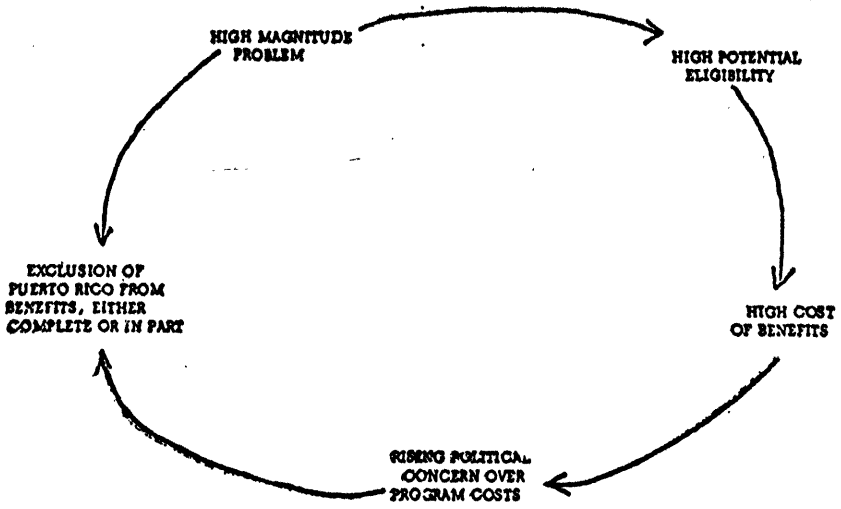

DIAGRAM 1: THE DYNAMICS OF RESOURCE ALLOCATION

III. THE DYNAMICS OF PROGRAM ADMINISTRATION

The imposition of funding ceilings and higher cost-sharing rates—i.e., the differential treatment of Puerto Rico with respect to public assistance—while inequitable, would be more tolerable if limited funding meant that some of the administrative requirements that accompany federal funding were waived for Puerto Rico.

At present, however, the Commonwealth Government must comply with practically all federal legislative and administrative conditions.[7] These range from the scope of services to be offered to bureaucratic actions to insure an adequate accountability of benefits provided. These must be performed within the existing budgetary constraints.

The double burden of limited funds and regulatory requirements means that Puerto Rico must divert an increasing share of its resources to meeting the costs imposed by separate management information systems, cost-accounting systems, and even, in some cases, separate service delivery systems. This rechannelling of resources has important opportunity costs, since monies used to set up the bureaucratic apparatus required by the Federal Government could otherwise be used in actual services. The compliance with administrative actions thus occurs at the expense of the provisions of benefits.

The dynamics of the situation are illustrated in Diagram 2. Starting from the situation depicted in Diagram 1, in which a high degree of need is coupled with limited funding, a new element is added: the imposition of legislative and administrative requirements. This in turn has two effects: it generates managerial costs within the public assistance agencies, and it causes the Government to spread its resources very thinly in order to encompass the prescribed population and provide the required services. These two effects inevitably result in programmatic deficiencies, which carry the risk of federal penalties and the threat of further reductions in funding. This the situation tends to perpetuate itself, as shown below.

Even in the United States, the standards imposed by federal programs are recognized to be higher than the budget allows: "Legislators who consider a

[7] Three exceptions to this are (1) the standards of need defining welfare eligibility which are lower in Puerto Rico; (2) the "free choice of provider" requirement under Medicaid; and (3) a lower income disregard for AFDC beneficiaries.

service tend to authorize its delivery in the standard middle-class quality, and the administering bureaucracy proceeds accordingly. . . . The problem of total cost is left to the separate appropriations process. The result, for program after program, is an appropriation of one percent to 25 percent of what full delivery would cost." [8]

In Puerto Rico, where budgetary limitations are even more severe, the situation is untenable. Commonwealth agencies have, therefore, experienced great difficulty in meeting federal requirements in the areas of health and welfare.

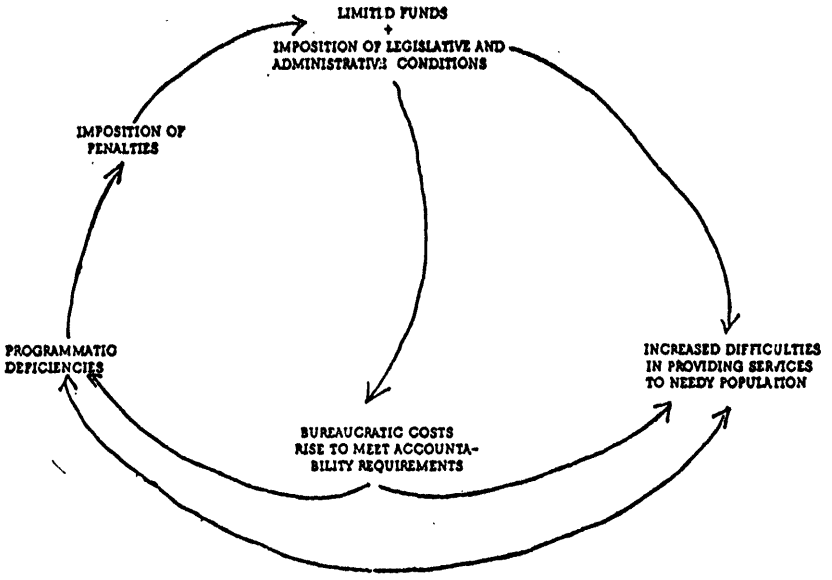

DIAGRAM 2: THE DYNAMICS OF PROGRAM ADMINISTRATION

Under the public assistance program, Puerto Rico must provide some 51,000 AFDC families and 26,000 adult recipients the full range of services mandated by the Social Security Act. Yet there are only $2 million in federal funds to cover these costs. Furthermore, administrative expenditures such as those involved in carrying out the Quality Control Program are covered entirely with Commonwealth funds because of the ceiling on the federal contribution. Not surprisingly, this Program is not performing up to standard, and the rate of errors of eligibility, overpayment, and underpayment is higher than the acceptable limit. To improve the system would require the doubling of administrative expenditures, which would then deprive the recipients of a significant part of the benefits which they would otherwise receive. This situation is compounded by the Title XX ambivalence previously stated.

Puerto Rico is caught in a similar bind with respect to Medicaid. The regulations establishing the program of health care coverage for the poor require all participating states (and Puerto Rico) to provide seven basic services to the cash assistance population: in-patient hospital services; outpatient hospital services; laboratory and X-ray services, skilled nursing home service; physicians' services; early and periodic screening, diagnosis, and treatment services for children under twenty-one; and home health services to anyone who would be entitled to nursing home services.

The $30 million ceiling and the low income of the 1.3 million Puerto Ricans eligible for Medicaid mean that, in practice, all of the funds are spent for the

[8] Lance Liebman, "Social intervention in a democracy". *The Public Interest*. No. 34. Winter 1974. P. 24.

most immediate and pressing needs, i.e., hospitalization and ambulatory care. In 1974, the additional funds required to bring Puerto Rico's Medicaid program into compliance with federal standards were estimated at $99.5 million.*

The costs attendant to meeting the legislative requirements, while the most visible problem inherent in operating federally-aided public assistance programs in Puerto Rico, is not the only one. Several programs, designed in the United States for mainland conditions, have proved to be dysfunctional or disruptive when applied to the Puerto Rican setting. An example of this is the work incentive program (WIN) which was adopted in 1967. Emphasizing self-support rather than social services, the program seeks to make welfare recipients more employable through job counseling, training, and referral. In a labor-surplus economy such as that of Puerto Rico, however, this program is ineffectual. Without a job market to absorb program participants at the end of the line, there is only a short-term incentive to become a WIN trainee.

In other cases, the programs have been worse than ineffectual: they have been clearly disruptive of the existing service structure which, however deficient, provides aid to a majority of the population. This has occurred primarily in the health care sector.

Between 1957 and 1960, government health facilities and services were organized under a regionalized scheme whereby all care within an area operated as a system in which patients, information, and resources flowed between the periphery and the center. Ambulatory and hospital facilities were functionally linked to each other, with local health centers referring patients to an intermediate level or to a complex medical center, according to need.

Categorical targeted legislation—aimed at dealing with specific conditions, services, or population groups—has weakened and even undermined the organization of care on a regionwide base. Grants for mental health and family planning services have resulted in the establishment of programs organized vertically and accountable to the director of the program rather than to the regional director, who is supposed to be in charge of all government-sponsored services offered within his jurisdiction. Program requirements have resulted in the development of separate data-gathering systems, and information flows between the program and the region have been precluded by the operation of parallel structures.

Even a more broadly-based public assistance program such as Medicaid has had certain negative impacts on the existing health care delivery system.

In the case of Puerto Rico, the Medicaid monies (with a ceiling of $20 million) were allocated in toto to the Department of Health agreed to establish and enforce eligibility requirements, keep records of the Medicaid clientele, and account for its expenditure of the additional funds. Thus, as originally implemented, the new legislation strengthened the public sector by providing the government with additional though limited resources to spend on medical care.

Legislation introduced in 1967, however, required that the Medicaid program provide its beneficiaries with "free choice" with respect to providers of health care. This meant that part of the funds which once went entirely into the Department of Health's budget had to be set aside as vendor payments to those physicians, hospitals, and other medical providers serving the Medicaid clientele. The deadline by which the "free choice" provision was to be implemented was July 1, 1972 and the ceiling on Medicaid funds was raised to $30 million, the additional $10 million being specifically earmarked for "free choice" payments. This supplementary aid, however, was not sufficient to offset the significantly higher costs of buying private hospital, physician and ancillary services, as compared with the same services provided within the government sector.

Because the financial situation of the Government of Puerto Rico did not allow it to guarantee free choice of all health care; the Department of Health was authorized to establish a program by stages, phasing-in additional services as resources allowed. Four stages were established: primary physician services, specialized physician services, X-ray and laboratory services, and hospitalization. Following the recruitment of primary physicians and an educational campaign to publicize the program, the free choice of primary physicians began in October 1972. Approximately 200 primary physicians—defined as general practitioners, family physicians, internists, pediatricians—agreed

* "Briefing Paper . . ." Op. Cit. P. 80.

to participate in the program, treating Medicaid clients and billing the Department of Health at the rate of $3.00 per visit.

Despite the small scale of the program in its initial phase, its impact on the regionalized health care scheme was soon felt. A number of physicians working in the government-sponsored local health centers chose to establish private offices to serve the same clientele they had been treating. Others opted to divide their time between the health center and their private practices, sometimes referring patients seen in the center to their own offices after hours. As a result, the "free choice" provision caused a brain drain of medical personnel from the public to the private sector precisely at the point of entry into the regionalized scheme, where the care received affects the operations of the entire system.

An evaluation of Phase I of the Free Choice Program carried out in 1973 revealed that 11.7 percent of all the participating physicians accounted for 43.1 percent of all the visits billed.[10] Thus the program was reaching a small proportion of the total clientele. There is also evidence that some of this clientele was over-doctored, since the program data indicated cases of repetitious visits within the same week, and some physicians were billing at the rate of 1,000-visits per month. Moreover, the lure of fee-for-service was such that physicians were reluctant to refer patients to other levels, thereby undermining the reciprocal flow of patients that is essential to regionalization.

In view of these difficulties and the inability of Puerto Rico to fully comply with the free choice provision, the implementation of this requirement was eliminated in 1975 through the enactment of P.L. 94-48. Nevertheless, the abortive attempts at compliance were costly in monetary as well as in organizational terms.

IV. SUMMARY: THE SELF-REINFORCING PROBLEM

Given the inequities of the funding process and the problems of program administration, it is not surprising to find that public assistance efforts in Puerto Rico produce little in terms of outcome.

The effectiveness of any social intervention is contingent upon a sound diagnosis of the underlying problem coupled with adequate funding. Little or nothing will happen unless the resources devoted to a legislative program are adequately proportioned to the size of the defect that has to be remedied.[11]

Underfunding generally results in the dilution of efforts. The lofty objectives of the legislation are thus bound to be frustrated as monies allocated are not sufficient to make a dent in the problem. As a result, the program ends up being a failure by maintaining the very situation it is designed to correct. The dynamics of this are shown in Diagram 3.

Summarizing, then, we find that the differential treatment which it receives with respect to federal assistance places Puerto Rico in a very difficult position. It is excluded from some programs, or given less than its share in others, precisely because it has a higher degree of need than any of the 50 states. Because federal funds entail a series of administrative requirements that Puerto Rico must comply with in order to receive aid, funds that could be otherwise used for benefits are diverted towards the establishment of the bureaucratic machinery mandated by legislative requirements. This in turn precludes the upgrading of programs. Lastly, the problem of welfare is self-perpetuating since budgetary allocations are not proportionate to need. As a result, no significant impact is made on the initial problem, which tends to generate itself as both the agencies and the public are lulled into thinking that something is being done.

Consequently, the present situation must be attacked as a whole. Tinkering with only one aspect will not result in measureable improvements. The appropriation of additional resources, while necessary, is not a sufficient remedy. Instead, the application of public assistance programs to Puerto Rico must be based on the following realities.

1. Puerto Rico has a greater need than any of the states. For the average income gap between the Island and the United States to be reduced, some type of affirmative action is needed.

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[10] Eliseo Echegaray *et. al.* "El Programa de Libre Seleccion: Experiencia e Implicaciones." Comision Sobre Seguro de Salud Universal, Estado Libre Asociado de Puerto Rico. 1973. P. 40.

[11] Eli Ginzberg and Robert M. Solow, "An Introduction to this Special Issue." *The Public Interest.* No. 34. Winter 1974. P. 9.

2. The imposition of a statutory ceiling on the federal contribution means that the real monies available tend to decline over time as the population rises, inflation increases, and administrative requirements are imposed.

3. Administrative requirements, while necessary to insure accountability and a degre of uniformity, entail costs which reduce the funds available for actual benefits.

4. Many programs that are designed for the United States are not well adapted to Puerto Rico. This results in a mismatch between problems and resources, in some cases, and in the undermining of local efforts, in others. Puerto Rico would therefore favor maximum flexibility in program planning and administration at the state level, so that federal monies supplement rather than supplant local initiatives. This same situation has been found true in the Appalachian Region and in parts of New England where different solutions have also been sought.

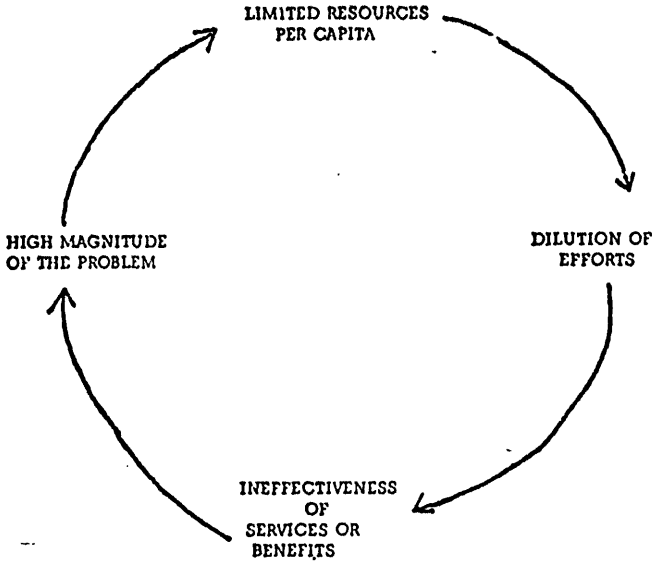

DIAGRAM 3: THE SELF-REINFORCING PROBLEM

V. POLICY RECOMMENDATIONS FOR AFFIRMATIVE ACTION:

The situations and conditions previously described stress the need for the development and implementation of new policies based on the following recommendations:

1. *"Seed money provision".*

There is a significant gap between the economic development level in Puerto Rico and the poorest state, with Puerto Rico lagging behind in spite of world known efforts to increase its rate of development. For Puerto Rico to reach the economic level of even the poorest state, massive efforts will be required. Primary consideration should be given to the provision of "start-up" funds in the areas covered by the welfare reform program.

2. *Changes in funding formulas*

Puerto Rico requires the termination of all statutory ceilings governing federal contributions and programs. Similarly, the prevailing cost-sharing formulas need to be modified to achieve equal treatment. However, the substitution of the existing formulas for a sliding scale based on need would cause a significant rise in federal expenditures. For this reason, Puerto Rico favors an incremental rise in the federal share, reaching parity within four years.

3. *Administrative flexibility*

The problem of reconciling federal requirements for accountability with local realities, conditions and priorities is one that concerns not only Puerto Rico, but also a significant number of states. The Government of Puerto Rico favors the establishment of performance standards rather than the imposition of administrative requirements as a means of insuring compliance with legislative intent in the area of public assistance. This could be achieved in one of two ways: (1) Comprehensive grants could be awarded, subject to federal approval of a state plan detailing the service and/or population categories to which funds would be allocated; or (2) The federal government could establish guidelines in terms of clientele and program objectives to be reached, leaving the actual deployment of resources to local needs and initiatives. This would encourage innovative approaches and avoid the large gap between local needs and federal regulations that often prevail at present. Several pieces of legislation have already started the trend towards local priority setting with different services provided in different geographical locations within a state in response to local needs.

In this regard it is most significant that both Secretary Blumenthal and Council of Economic Advisors, Director Care Schultze (among other in the Administration) have concluded aggregate economic policies and generalized programs cannot alone cure the poverty, unemployment and special problems of heterogeneous regions and localities, and that programs must be tailored to solve the specialized problems which exist in the real world at the local level. This implies a much more comprehensive effort at integrated federal, regional, state, local public and private planning and programming for areas with special problems including Appalachia, parts of New England, Southern States, inner cities and insular areas.

MESSAGE FROM HON. JIMMY CARTER, PRESIDENT ELECT, UNITED STATES OF AMERICA, TO HON. CARLOS ROMERO-BARCELO, GOVERNOR OF PUERTO RICO, ON THE OCCASION OF HIS INAUGURATION, TO BE DELIVERED BY HON. MAURICE A. FERRE, MAYOR OF MIAMI, FLA., AS PRESIDENT CARTER'S OFFICIAL REPRESENTATIVE FOR THIS OCCASION, SAN JUAN, PUERTO RICO, JANUARY 2, 1977

My warm and sincere congratulations to Carlos Romero Barcelo, as he begins his stewardship as Governor of Puerto Rico.

As a former Governor, I know how difficult yet rewarding your job will be. As the highest elected official of Puerto Rico, you will be continually faced with critical decisions involving the economic, sociological and spiritual welfare of your people. It is our duty to provide a commitment to the moral values which are such an integral part of who and what we are.

I am confident, Governor Romero Barcelo, that you will bring to the Office of Governor the same tenacity, common sense and dedication to purpose you showed as Mayor of San Juan and President of the National League of Cities.

Too long have some sectors of Washington approached Puerto Rico on a dividing "we and you" basis, forgetting that Puerto Rico is an Island where over three million American citizens live. As President of the United States, you can be assured that I will be conscious of the needs of all American citizens, wherever they may be.

If we in the United States are to continue to live in a free, pluralistic society, we must be ever aware of the diversity of our national character. If this cultural pluralism is applicable to other minority groups, then it is valid for our citizens from Puerto Rico, both those on the Island and the almost two million Puerto Ricans in the mainland. Of course, as Puerto Ricans, you have, can and should continue to enjoy your own cultural identity and history.

In July of this year, in Houston, in the midst of my campaign, I made a commitment that no longer would Hispanic voices be ignored in our country. There are more than 15 million citizens of the United States who speak Spanish, including 5 million Puerto Ricans, who have, for whatever reason, often been kept out of the American mainstream. I repeat my pledge to the people of Puerto Rico and to your Hispanic brothers and sisters in the mainland; you have my commitment to protect and safeguard your heritage and your full rights.

The Constitution of the United States does not distinguish between citizens. We do not have in our country first and second class citizens. We are all

Americans, without distinction of color, creed, sex, religion and as the 1976 Democratic Platform so ably stated at last, without distinction of language. We must never again discriminate against citizens because they are unable to speak English. Our Constitution guarantees full citizen rights to people of different cultures, be they Chinese in San Francisco, Mexican-Americans in El Paso, or Puerto Ricans in San Juan.

My Party's Platform, on which I ran for the Presidency, clearly states the recognition of Puerto Rico's right to political self-determination. I fully subscribe to and support this expressed right, whatever your choice may be.

Again, my congratulations and best wishes to Governor Carlos Romero-Barcelo, to the new Resident Commissioner Baltasar Corrada del Rio, whom we welcome into the Democratic Party, and to my old friend with whom I happily served at the United States Governor's Conference, former Governor and now Senator Luis A. Ferre.

And to the people of Puerto Rico, with whom we have a common citizenship and common aspirations for human dignity and well-being, my expression of admiration for your courage and for your achievements under trying circumstances. You are indeed a beacon of hope to those throughout the world who aspire to a better life under both freedom and social justice.

May your spiritual and material well-being continue to prosper under this new administration.

JIMMY CARTER.

PREPARED STATEMENT OF HON. BALTASAR CORRADA, RESIDENT COMMISSIONER OF PUERTO RICO

Mr. Chairman, Members of the Subcommittee, I will just make a very brief statement since Governor Romero has stated our position in depth and there is very little that I can add to his remarks.

However, I do want to make it clear for the record that the funds needed to implement Title II of H.R. 7200 are included in the First Concurrent Budget Resolution and therefore, both the House and Senate have in principle committed funds for this purpose. At this point I would like to have your permission to present for the record letters from Congressman Robert Giaimo, Chairman of the Budget Committee and House Majority Leader, Jim Wright to this effect.

In addition, the House of Representatives has passed this measure by an overwhelming margin, thus making clear a commitment to end this discriminatory treatment.

Mr. Chairman, I, like the Governor of Puerto Rico, would like to appeal to the Committee's sense of justice and urge you to put an end now to this gross discrimination against the U.S. citizens residing in Puerto Rico.

During his testimony last week, Secretary Califano of HEW, stated in answer to a question from Senator Moynihan that the Administration wanted to deal with the question of the territories in the contest of welfare reform and would have their recommendations in August. Why the delay?

Everyone knows welfare reform will take several years and even the Administration conceded that it will not be implemented until 1980 or 1981 at the earliest.

Will the elderly, blind and disabled of Puerto Rico be asked to wait until then so they can get a relief they should have received at least three years ago?

President Carter has emerged as a great champion of international human rights. Well, the U.S. citizens residing in Puerto Rico also have rights, among them, the pursuit of happiness. I ask you how can an indigent elderly, blind, or disabled person pursue happiness on $14 a month, which is what they receive under the old Aid to the Aged, Blind and Disabled Program in Puerto Rico? I cannot, Mr. Chairman, but express very extreme disappointment at the way this matter has been handled by some members of the Administration. Promises notwithstanding we are still getting more of the same discrimination.

Senator Long expressed this same feeling when he stated to Secretary Califano at these hearings last week that obviously there are some problems that have to be taken care of right now and there is no need to wait for welfare reform.

Mr. Chairman, you can imagine how we feel in Puerto Rico when we are told that an alien can receive SSI benefits after 30 days of residing in the United States and yet an American citizen is denied these same benefits just because he happens to reside in Puerto Rico?

Some of the potential beneficiaries may be parents or siblings of a Puerto Rican veteran who gave his life for the United States, yet they are denied the benefits that should be afforded them as citizens of the country they have given so much to.

In the name of justice and equity, I urge you and the Members of this Subcommittee to act favorably on Title II of H.R. 7200 now.

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON THE BUDGET,
Washington, D.C., May 16, 1977.

HON. BALTASAR CORRADA,
U.S. House of Representatives,
Washington, D.C.

DEAR BALTA: This is in reply to your recent letter expressing support for the new initiatives in SSI and AFDC for Puerto Rico, Guam, and the Virgin Islands.

I am happy to advise you that the Conference Report on the First Budget Resolution for FY 1978 provides for new entitlement authority to be allocated to the appropriate committee for action on this legislation. The Report is schedled for House consideration on Tuesday, May 17.

Sincerely yours,

ROBERT N. GIAIMO,
Chairman.

HOUSE OF REPRESENTATIVES,
OFFICE OF THE MAJORITY LEADER,
Washington, D.C., May 26, 1977.

HON. BALTASAR CORRADA,
House of Representatives,
Washington, D.C.

DEAR BALTASAR: When we were going to conference on the First Budget Resolution, you kindly wrote me giving me your strong endorsement for funds under Function 600 to take certain cash assistance initiatives in Puerto Rico, Guam and the Virgin Islands. You asked that I support this item in conference.

As you know, we succeeded in convincing the Senate conferees to accept this $198 million item. I was pleased we could do that. Surely there are few more in need of such help than the people of whom you speak in Puerto Rico.

It was good of you to call this to my attention.

With warmest and best wishes.

Sincerely,

JIM WRIGHT.

Senator MOYNIHAN. We are now to hear a panel of representatives of the American Public Welfare Association, Mr. Greg Coler and Mr. John Affleck.

STATEMENT OF JOHN J. AFFLECK, DIRECTOR, RHODE ISLAND DEPARTMENT OF SOCIAL AND REHABILITATIVE SERVICES, AND CHAIRMAN, NATIONAL COUNCIL OF STATE PUBLIC WELFARE ADMINISTRATORS OF THE AMERICAN PUBLIC WELFARE ASSOCIATION

Mr. AFFLECK. Thank you, very much.

It is a privilege, Mr. Chairman, to be here and testify on H.R. 7200, S. 1782, and related matters. By way of introduction, I am John J.

Affleck, director of the Rhode Island Department of Social and Rehabilitative Services and chairman of the National Council of State Welfare Administrators of the American Public Welfare Association.

Our council membership includes the administrators of public welfare programs in all of the States and territories. You just met my colleague, Gwendolyn Blake, the welfare director in the Virgin Islands. Membership is regardless of the administrative structure in the States and territories where human service programs may be administered. As a body, we represent the broadest base of knowledge and experience in the administration of public welfare available in this country. It is a privilege to present our comments and recommendations on matters that concern the Committee on Finance and the Subcommittee on Public Assistance.

I am accompanied today by Gregory R. Coler, associate commissioner, Division of Services in the New York State Department of Social Services, and well-acquainted with you, Senator Moynihan. Mr. Coler is also chairperson of the Committee on Social Services of the National Council of State Public Welfare Administrators.

Mr. Chairman, we have submitted a very comprehensive statement on H.R. 7200 which was prepared by our executive committee and our very capable staff. Indeed, it represents the views of our council, and is based, really, on months—actually, years—of attention to the matters treated in the comprehensive bill that you have before you.

We hope that today's discussion, our statement, and subsequent consultation will be helpful in the committee's consideration of this important legislation.

Let me very briefly touch on several matters that we raise in our statement. We offer observations and comments in the area of restrictive payments. This is a very problematic area, one on which it is difficult to obtain unanimity of opinion. Basically, we do support an enlargement of the opportunity for restrictive payments, but we are concerned about the potential for harassment and coercion implied in the language of H.R. 7200. To the greatest extent possible, recipients should manage their own resources.

We also underscore the council's longstanding commitment to responsible incentives for work and work requirements. We strongly caution against unreasonable and unrealistic job search and work requirements, which can be disruptive of, and indeed, damaging, to family life.

Though we urge the maximum flexible utilization of the existing WIN program, its limitations in terms of slots available, funding, and sources of support must be recognized. We suggest that States be enabled to develop work training and job opportunities along the lines of the seemingly successful model of title V of the Economic Opportunity Act of 1964. Perhaps this could be done on a demonstration basis, as Senator Long seemed to suggest earlier.

We noted, Mr. Chairman, with considerable appreciation and respect, in the announcement of these hearings, your recognition that the complexity and the time required for overall welfare reform should not contribute to a lack of effort to improve our present system. We believe, this reflects your sensitivity to today's problems. We

really must remember that this system, however imperfect, however much in need of strengthening, is serving, and, on balance, serving reasonably well, more than 3 million families and more than 10 million individuals receiving AFDC and more than 4 million persons on SSI. The use of the term "welfare mess" is understandable, and changes are certainly to be sought, but one must be aware of the positive side of today's system.

This leads us to suggest several areas where incremental change, consistent with overall welfare reform, may be appropriate. We would be pleased to share them with the committee, if you wish.

Senator MOYNIHAN. It most surely will be.

Mr. AFFLECK. These interim program changes include the mandating of AFDC for the unemployed nationwide, with the title changed to include unemployed mothers and the modification of essential eligibility requirements.

Senator MOYNIHAN. I would like to hear that again. We have the AFDC-U and UF. What would you like?

Mr. AFFLECK. The current program is designed for the unemployed father. We suggest that this should be broadened to make it available to the unemployed mother as well.

Senator MOYNIHAN. There are some standards?

Mr. AFFLECK. Yes, sir, such as the number of hours employment requirement, which should be removed, and other technical changes. These are detailed in our written statement.

Senator MOYNIHAN. Could we have a paper from you on that?

Mr. AFFLECK. It is in our prepared statement.

Further we suggest that the development of uniform eligibility requirements for the several income transfer and related programs AFDC, SSI, food stamps and medicaid would be most desirable.

We suggest the development of a uniform and less stringent definition of disability in title II of the Social Security Act and in SSI. Lastly, we suggest the beginning of Federal participation in assistance programs serving single individuals and childless couples, now carried on exclusively by state and local governments.

Before asking Mr. Coler to comment on the child welfare aspects of H.R. 7200, which Secretary Califano very significantly added to, let me commend you personally for your introducing S. 1782. We believe it is a most thoughtful recognition of the critical needs of States and localities for fiscal relief in the face of actual, or potentially crippling, welfare costs.

Certainly, the State administrators would echo the comments of Lieutenant Governor O'Neill, Massachusetts, representing the National Governors Conference, in this area. His remarks were most appropriate, not just timely, but very responsive to a very serious issue.

Indeed, we pledge our own assistance to you in your efforts to ease the financial plight of States and localities in helping millions of Americans today.

Now, Mr. Chairman, if I might, I am very pleased to present Mr. Coler, who will comment specifically in the area of child welfare.

Senator MOYNIHAN. You are welcome.

STATEMENT OF GREG COLER, ASSOCIATE COMMISSIONER FOR SOCIAL SERVICES, NEW YORK STATE DEPARTMENT OF SOCIAL SERVICES, AND CHAIRMAN OF THE SOCIAL SERVICES COMMITTEE OF THE NATIONAL COUNCIL OF STATE PUBLIC WELFARE ADMINISTRATORS, AMERICAN PUBLIC WELFARE ASSOCIATION

Mr. COLER. Mr. Chairman and members of the committee, it is a pleasure to appear today in support of the administration's proposal to expand the Federal role in subsidized adoptions, AFDC—foster care, and title IV–B funding. We believe the administration's proposal is an excellent incorporation of the work accomplished in the House and the Senate regarding H.R. 7200 and S. 961.

In my written testimony, copies of which have been made available to you, there is a detailed review of the Council's position in all major aspects of the administration's proposal as well as H.R. 7200. I would like to use my brief time before you to highlight those comments.

We support the goals, as outlined by Secretary Califano, to improve conditions associated with foster care and adoptive living arrangements. State administrators feel it is imperative that children be reunited with their families as quickly as possible. Foster care placement should be for as short a time as possible in a placement setting that is most appropriate for the child.

The administration's proposal to provide Federal financial participation for children in small public institutions and share in the costs of voluntary placements will provide badly needed financial assistance to the states. In concert with that proposal, State administrators support the recommendation that large institutions be defined as those in which more than 25 children reside.

There are four aspects of the administration's proposal that we would like to submit to you for careful consideration and possible modification.

(1) We believe that the establishment of a ceiling on AFDC foster care funds, as was recommended by the Secretary, is inconsistent with the administration's proposed program. It does not make sense to cap a program, the adoption subsidy program, until it has had a chance to grow and develop. In addition, we feel that there has been insufficient fiscal analysis done to insure that States will not be severely penalized by the cap relative to foster care costs.

(2) Further, the fiscal disincentives to States for the provision of care in institutions should not be applied until States have some time in which to use the new Federal funds to develop alternatives to such care.

(3) We would like to suggest that the eligibility for parents seeking adoption subsidies be the same as those for individuals seeking title XX services. Moreover, we feel that there should be no income test for parents who want to adopt handicapped children.

(4) One of the most important elements in the administration's proposal is the full funding title IV–B. Title IV–B is unique among Federal programs. It is not just another pot of Federal money to struggle over and divide. A IV–B type of arrangement undergirded the child welfare services of State and local public agencies, with the

help of voluntary agencies, long before there was a Social Security Act. The concept worked. It did not need a blueprint engraved in Federal statutes, embossed in Federal regulations. It resulted in State laws and programs, some laws and programs better than others. But at least it represented a beginning everywhere, a beginning of a solid, publicly funded child welfare service system in every state, in every political jurisdiction. We support the proposition of full funding of title IV–B at $266 million as an entitlement. We would only suggest that this amount be made available immediately in order that reform of our child welfare systems might be facilitated.

Thank you.

Senator MOYNIHAN. All right.

This was good testimony from informed and competent people. I am going to ask you a few questions and will press you a bit, because your answers matter to us.

These are subjects with which no member of our subcommittee has not been troubled. Senator Danforth spoke about them the other day, as did Senator Packwood.

Maybe I should go back to a statement I made in opening these hearings last week that there has been an almost geologic change in the experience of childhood in America during the first decade of the century. Out of 100 children born, 29 were expected to live in a one-parent family before they were 18. Seven decades later, it is 45. Where earlier, the overwhelming cause of this was death of one of the parents, death now is a very small, almost insignificant item.

As far back as the culture of our country goes, adoption has been a very local matter. I do not know when it became a State matter. Is the Federal Government entering a field that is such an intimate phenomenon? Adoption was probably much more common a century ago than today, by the sheer nature of parents dying.

It became professionalized; now it is 4.5 percent of births.

How do you administrators at the State and local levels—you represent that great association—how do you feel about this?

Senator Dole, would you like to add to that question?

Senator DOLE. No; go ahead.

Mr. AFFLECK. Let me make an observation first, and ask Mr. Coler, who is closer to this than I, to respond.

I was interested to hear this morning that there are a number of States with subsidized adoption programs—Rhode Island is certainly one of them. As we are a small State, we have a small program.

The thing that is exciting to me about Federal participation, greater participation in both adoption subsidy and child welfare generally is that it seems to indicate greater recognition on the part of the Federal Government of the effort the States have been making in this area for so long. We have a strong child welfare program, albeit uneven, around the country. From my vantagepoint, this is the first significant opportunity for the Federal Government to really come on board with the States in child welfare.

Let me take you back very briefly. A very good friend and colleague of mine, Congressman Fogerty, before his death, worked for open-ended funding of child welfare services. His death precluded accomplishment of this goal.

I welcome the fact that 10 years later, really 10 years later, we are beginning to see some progress in the same general area.

Mr. COLER. I would only comment on a more technical level, from the standpoint of fiscal p licy. The Federal Government, at the present time, is saying nothing and is no partner the 40 States which have subsidized adoption programs.

At the present time in New York State our adoption subsidy program is seven times larger than when it was first introduced in 1968; all of this at 100 percent State and local cost. The fact of the matter is, when one of our 58 local Commissioners, or administrators in other States, look at the proposition of supporting a child with a 100 percent State adoption subsidy or keeping that child in foster care placement, it is more economical, in terms of net dollars, to local taxpayers, to keep the child in foster care.

If I might just take a minute, Mr. Chairman, and read to you—it should not take more than 40 seconds—a letter with the names inked out, which I think gets right to the heart of this matter. The letter could speak to any one of thousands of situations across the country.

Senator MOYNIHAN. Please do.

Mr. COLER. This letter is to an adoption agency in the State of New Jersey from a commissioner of the State of New York. It is in regards to a child whom we will call Cindy for the purposes of this testimony, who is listed in the New York State Adoption Service's picturebook. She is 7 months old, she is mongoloid and she has a heart condition.

This is the letter from the commissioner back to the agency who has a parent who wants to adopt Cindy.

DEAR MRS. ANDERSON (false name): Thank you for your home study evaluation. We would like very much to make a permanent placement for Cindy and are pleased with your adoptive applicant. However, the financial considerations involved do present a great problem to our agency.

Currently our maximum financial subsidy has amounted to $2 a day. This would in no way begin to meet Cindy's needs for a sitter. Also, the need for a placement fee would further complicate this subsidy request, as we have never previously paid for a fee with a subsidy.

We wonder if you would have any interest in receiving Cindy on a permanent foster home basis. This would enable our agency to continue to receive SSI benefits for Cindy and pay a maximum board rate of $7 per day.

We doubt that you would qualify to receive SSI benefits for Cindy due to your income level. Also, our county would continue to provide medical coverage on a 75-percent Federal—25-percent county basis. If a subsidized adoption was entered into, our county would need to assume 75 percent of Cindy's medical expenses, which are largely due to her need for heart surgery.

I hope eventually the State subsidy requirements would be changed to place a lesser financial burden on counties so an adoption could be entered into. Also, the local agency could supervise the foster care arrangement that would eliminate our problem with the fee.

I know you are disappointed by this response. I hope you will get back to us with your views and comments.

Senator MOYNIHAN. Senator Dole?

Senator DOLE. Do you have any cost for the programs you recommend on page 8 of your statement?

Mr. AFFLECK. Not specifically, Senator Dole. We have developed some data within the APWA and are in the process of developing additional data. We would be pleased to be responsive directly to the cost factors involved in the incremental changes we have proposed relative to the existing welfare programs.

But at the moment, as I sit with you, sir, I do not.

Senator DOLE. It might be helpful. It must be a consideration, worthy as the objectives might be. The costs remain a factor.

Would you agree with the statement made by some, because you are both experts in the area, that the food stamp program itself has been the biggest welfare reform since the enactment of the social security program?

Mr. AFFLECK. From our vantagepoint, I would certainly say so, sir. Just in my own State, speaking for only Rhode Island at this point there are more individuals receiving food stamp benefits than cash assistance through our income maintenance programs. It has been a source of great value to families and individuals in Rhode Island. We support, I might say, the elimination of the purchase requirement. We feel that this would make the program far more accessible for a number of individuals not now able to participate.

Senator DOLE. You know it was done in the Senate bill. The reason I raise the question is that there has been a great deal of discussion on major welfare reform—and certainly I assume that is a worthy objective. It has also been said by some that with the progress we have made in the food stamp area, perhaps we should not be talking about such a major overhaul. Maybe we should look at what the food stamp program does as far as welfare reform is concerned and start from there rather than trying to throw out the whole program and starting over with some magic solution that saves millions of dollars.

I thought it might be helpful to have your comment and I appreciate it very much.

Mr. AFFLECK. I would make only one observation, Senator. I have been engaged in discussions from time to time regarding food stamps and the whole business of welfare reform. Basically, we come down on the side of overhaul reform of the total system, with food stamps washed into a cash assistance program.

Senator DOLE. Thank you.

Senator MOYNIHAN. I am going to ask you a question you need not answer.

You have said many interesting and important things. I may ask you one thing—if I may ask you on behalf of all the other Senators as well—how do you feel about the National Government taking this over? You answered not only openly and clearly, but you spoke to a traditional part of federalism which is local government. State governments developed ideas and they make their way to the National Government on the basis of having been proven and tested in the various modes of the Federal system as possible.

Does it not annoy you a little bit that the Secretary of HEW came before this committee to introduce these proposals and never once mentioned that there are 40 States with subsidized adoption programs? I started out learning about two States this morning; I assumed New York would be one, that would make three; do you think the Secretary of HEW knows that? Do you think he would come again to us with some analytic statistical evidence as to what has been the experience of these 40 States?

Without in any way meaning to be disparaging, but you can learn things from inquiry. You can learn a lot more from inquiry and we got none.

You do not have to answer that question.

Mr. AFFLECK. I would be pleased to, Senator.

Mr. Chairman, I read Secretary Califano's testimony very carefully on July 12. I was in the city on that day for other meetings. I thought that he stated the case for Federal participation in State child welfare programs strongly and we support that. I do share with you, however, a feeling that perhaps the plight of child welfare today was overstated. That gives me a little bit of a problem. While we, indeed, have troubles in the States, we have very strong child welfare programs in many places. At this point in time, as I say, we are looking forward to the Federal establishment coming on board with us. It would be nice to have greater recognition sometimes of what we are actually doing already.

Senator MOYNIHAN. I see exactly what you mean. I thought we were about to establish a system of subsidies which did not exist in the Nation. I now find 40 States have it.

Thank you very much, gentlemen, and we thank the association.

[The prepared state of Mr. Affleck and Mr. Coler follows. Oral testimony continues on p. 229.]

PREPARED STATEMENT OF NATIONAL COUNCIL OF STATE PUBLIC WELFARE ADMINISTRATORS OF THE AMERICAN PUBLIC WELFARE ASSOCIATION

SUMMARY

Testifying on behalf of the National Council of State Public Welfare Administrators are Mr. John J. Affleck, Director of the Rhode Island Department of Social and Rehabilitative Services and Chairman of the NCSPWA, and Mr. Gregory L. Coler, Associate Commissioner, Division of Services, New York State Department of Social Services and Chairman of the NCSPWA's Social Services Committee.

The Council appreciates the opportunity to share with the members and staff of the Senate Finance Committee its views on H.R. 7200 (Public Assistance Amendments of 1977) and other proposals for improving this nation's system of public welfare. We applaud the initiative shown by the Carter Administration in proposing to expand the role of the federal government in subsidized adoption, foster care, and Title IV-B of the Social Security Act, and those child welfare proposals in H.R. 7200 which accord with our own positions. Specifically:

Federal financial participation in adoption assistance is essential if progress is to be made in finding permanent homes for hard-to-place children.

Establishing a ceiling on AFDC-Foster Care funding should be delayed an additional year (until 1981) and, if there is to be a reduced federal matching rate for children in large institutions (25 or more children), it should not go into effect until FY 1980–81, so that States have some time to use these new federal funds to locate and develop suitable alternatives to large institutions.

Above all, there should be full funding of the authorized level for Title IV-B. These funds outweigh their dollar value in strengthening child welfare systems across the country. The new money should be available immediately and preferably without matching requirements, or at least at a more favorable match. Further, there should be maintenance of effort requirements, but none of the additional funds should be used for making foster care payments.

The Council has also taken positions on the other provisions of H.R. 7200 and related proposals. We would like to emphasize the following ones:

By and large, the Supplemental Security Income provisions of H.R. 7200 are important and necessary steps in improving the managability and responsiveness of that program. Action on them, including those which would begin to redress some of the inequities endured by Puerto Rico, Guam, and the

Virgin Islands in federal funding for welfare payments, should be delayed no longer.

The ceiling on Title XX funding should be permanently increased, with consideration given to incorporating an automatic inflation adjustment, so that the program can at least maintain its present value in the near future.

The current limit on restricted payments in AFDC should be raised to 20% and states should be eligible for reroactive federal financial participation in past payments exceeding the existing statutory limits. Because it is generally desirable for welfare recipients to manage their own money, the provision in H.R. 7200 which would prospectively allow vendor payments to be made to landlords and utilities for an unlimited number of AFDC recipients should be deleted.

Other approaches, besides the WIN program, should be utilized in placing welfare recipients in job and training programs. As a necessary complement, state and local welfare agencies should be given greater flexibility to establish such programs.

Fiscal relief for states in meeting the costs of welfare is absolutely necessary. Senator Moynihan's efforts in this area are to be commended.

With major welfare reform at least a few years away, appropriate consideration should be given to making incremental changes in current programs that would be consistent with broader-scale reform. Possible changes include: a nationwide program of AFDC for families with unemployed parents; uniform definitions of income and eligibility across welfare programs such as AFDC and Food Stamps; liberalization of the definition of disability in Titles II and XVI of the Social Security Act; federal assumption of some of the assistance costs for single persons and childless couples, which are now born entirely by states and localities; and revisions in the emergency assistance program under Title IV-A.

It is our hope the Committee will give these views, advanced by the administrators of public welfare programs, every favorable consideration. We look forward to working with you and your staff toward an improved public welfare system in the United States.

STATEMENT OF JOHN AFFLECK

Mr. Chairman, members of the Subcommittee and full Committee, thank you for the opportunity to appear before you and present the views of the National Council of State Public Welfare Administrators on H.R. 7200 (the Public Assistance Amendments of 1977) and other proposals for improving this nation's system of public welfare. I am John J. Affleck, Director of the Rhode Island Department of Social and Rehabilitative Services and Chairman of the National Council of State Public Welfare Administrators. With me here today is Mr. Gregory L. Coler, Associate Commissioner, Division of Services, New York State Department of Social Services and Chairman of the Council's Social Services Committee, who will discuss our stands on child welfare and social services.

The National Council of State Public Welfare Administrators is composed of the officials in each state, the three territories, and the District of Columbia charged with the responsibility for administering public welfare programs. Since its beginning more than 35 years ago, the Council has been an active force in promoting the development of sound and progressive national social policies and in assuring that these policies are responsibly and effectively administered. Its members have witnessed, often with unbelieving eyes, the enormous growth and increasing complexity of this system of assistance and services for people in need. Its members have grown frustrated trying to meet those ever-present needs with limited and inappropriate resources. Its members have weaved in and out of conflict with the federal government, as we have both pursued our mandate to provide for the public's welfare. And above all, its members have, despite the disappointments and wasted efforts, continued to care.

We have not come here today to reinforce the popular characterization, shared by alarmists of many stripes, that the public welfare system is an abysmal failure. Yes, we know that there are serious problems throughout it, in social services as well as cash assistance. Next to the recipients and bene-

ficiaries, we probably know them better than anyone else. No, we have not come here to dwell on the system's failures, but rather to acknowledge its many successes and to give substance to its many potentials and to voice our optimism for its future. Today, our public welfare system provides subsistence to millions of destitute people, social support to millions of families straining against the vicissitudes of life, and care and nurturance to scores of children who need a supportive environment in which to grow. We admit that sometimes these efforts leave much to be desired; and we also admit that you can't create a better system overnight or without help. It is our deep-felt conviction, however, that with the various changes being contemplated by this Committee and other changes we would like to see made, the collection of services and assistance we call the public welfare system can be strengthened and improved to more efficiently and effectively meet people's needs. So, we are here to express our appreciation and to offer our help and expertise in meeting the difficult challenge you have identified.

Nonchild welfare provisions of H.R. 7200

I should like to begin by briefly noting the Council's stands on those parts of H.R. 7200 which relate to Supplemental Security Income, Aid to Families with Dependent Children, and Social Services. First of all, the Council is in long-standing agreement with most of the SSI provisions found in H.R. 7200. Though a detailed listing of our SSI positions is contained in Appendix I to this testimony, I would like to make reference to the fact that, in contrast to the Administration, we support Sections 109, 110, 113, and 114. While we can appreciate the Administration's interest in maintaining fiscal responsibility, we do not believe that the small amount of money involved should justify the rejection of otherwise good policy. Similarly, we are hard-pressed to understand the Administration's rationale, besides fiscal restraint, for opposing Sections 201 and 203, which would extend SSI to the three territories and remove the ceiling on their AFDC federal matching funds, respectively. These sections would go a long way toward redressing some of the inequities that have been arbitrarily imposed on the territories, a move we heartily applaud.

The National Council of State Public Welfare Administrators also supports permanently increasing the $2.5 billion ceiling on Title XX (Section 301), to account for the inflation which has sapped the program's effectiveness in the more than four years since a cap was placed on it. We urge the Committee to consider incorporating within Title XX an automatic escalator based on some index of price inflation, so that the program can at least maintain its present value. Further our support is given to the remaining provisions of H.R. 7200 which would extend P.L. 94-401 for one year.

The Council also wishes to commend the Committee for having the foresight and good sense to move in advance of the appointed time on the other provisions of H.R. 7200 that required action before July 1, 1977.

At this point, I would like to direct my comments to issues relating to income maintenance and more specifically, to legislative proposals affecting the Aid to Families with Dependent Children and Work Incentive Programs.

Restricted payments in AFDC

Section 505 of H.R. 7200 addresses the limits placed on federal participation in vendor or protected payments in the AFDC program. Under current law, a state can receive federal financial participation in making restricted payments to approximately 10% of its AFDC recipients. Section 505 of the bill would raise the limitation on restricted payments to approximately 20% and would also allow recipients to "voluntarily" request a dual payee check for up to 50% of their grants for purposes of payment rents or utilities. There would be no limit on the number of recipients who could request the dual payee check.

The National Council of State Public Welfare Administrators is very much concerned about the long range policy implications of this provision. As the resolution presented below expresses, we believe that the House bill overreacts to a limited problem. It potentially undermines the long established and sensible principle that recipients, to the greatest extent possible, should be allowed to manage their own money. In particular, we are greatly concerned about the provision which allows a "voluntary" request for a dual payee check. Many state administrators are already under great pressure especially from various landlord groups, housing authorities and utilities, to

make direct payments for services provided to recipients. If the provision in H.R. 7200 is enacted, we seriously doubt that requests by recipients for restricted payments would be truly voluntary.

The Council does recognize, however, that several states have legitimate problems in meeting the current limitations on restricted payments. Particularly in certain urban areas, there are problems with non-payment of rents which results in the deterioration and eventual closing of housing facilities. In light of these considerations, the full Council recently adopted the following resolution, which we believe to be a more cautious, yet responsive, approach:

"Resolved, the National Council of State Public Welfare Administrators opposes the provision in H.R. 7200 which would prospectively allow vendor payments to be made to landlords and utilities for an unlimited number of AFDC recipients. The Council views this provision as far too sweeping a solution to a limited problem. It has potential for adverse effects on both administration and recipients. The Council urges instead that the current limit on protective and vendor payments be raised from 10% to 20%.

"The Council also supports the retroactive provision of federal financial participation to states to the extent they have exceeded the current statutory limits on vendor and protective payments in the past."

WIN

Senator Talmadge has introduced a bill, S. 1795, which would place a job search requirement to WIN registrants. The efficacy of work requirement is, of course, a subject of great interest to us. Below, I will briefly discuss what we believe to be an approach which will result in more effective placement of recipients in jobs than current efforts. In the meantime, we are skeptical of added requirements in the WIN program which may be difficult to administer and may result in added paperwork. There are currently far more WIN registrants than there are job and training slots within the program. If the intent of this proposed legislation is to place job search requirements on all registrants, we have difficulty understanding how the increased administrative burdens of careful, directed job search activity could be absorbed. We believe that a far more important determinant of whether recipients take employment is the presence or absence of job opportunities. We have serious doubts as to whether coerced job search activity would be cost effective and believe that the monitoring of this job search activity and its resultant impact on the payment of AFDC benefits would add significantly to the already unnecessarily large paperwork shuffle in which we are presently engaged.

Furthermore, S. 1795 would appear to require significant additional outlays for services to recipients. It is not clear who would fund those additional services. Hard pressed states and localities are not in a position to assume additional costs. One section of S. 1795 attempts to help states in qualifying for federal matching money by allowing the value of in kind goods and services provided by the state to be included as part of its matching share. Unfortunately, this provision raises a nearly insuperable difficulty which we have tried to avoid in a variety of other programs: that of placing a fair and reasonable value on in kind goods and services. This is a chore which is inconsistent with simple and accurate accounting.

On the whole, we stand in opposition to S. 1795. We suggest instead that other approaches, in addition to the WIN program, should be utilized in placing welfare recipients in job and training programs. As mentioned above, the WIN program has the capability for placing a relatively small percentage of those required to register for the program. Rather than putting an additional burden on an already overtaxed program, we believe that states and localities should be given greater flexibility to set up work and training programs. Currently, state and local welfare departments are hamstrung in their ability to establish work requirements or administer job placement and work programs. Yet, we believe that state and local welfare departments could be valuable resources in complementing the WIN program. We work directly with welfare recipients and can tailor programs specifically to their needs and capabilities. The additional and complicating step of coordinating with a whole, separate agency would be eliminated.

It is our judgment that Title V of the Economic Opportunity Act of 1964 suggests a model from which to begin designing effective work programs. From

the viewpoint of many states, that program was showing success and just gaining momentum when it was replaced ten years ago. We suggest, in addition, that consideration should be given to allowing some Title IV-A money to be utilized to pay wages or other jobs program costs. We do not advocate work relief, whereby recipients must work in return for AFDC benefits only. But some freedom to use AFDC money toward paying for jobs with minimum wage and other standards would be a step in the right direction. I realize that I have presented a rather sketchy proposal. I offer the services of our Council in developing a more specific one.

Fiscal relief

Let me now turn my attention to S. 1782 a bill introduced by Senator Moynihan. This bill appears to have one major purpose: to provide fiscal relief to the states. This, of course, is something we have long viewed as absolutely necessary. I am attaching for the record a resolution adopted by the NCSPWA in 1971 to demonstrate how deep and long our concern has run. We wholeheartedly applaud Senator Moynihan's initiative.

Incremental reforms

While fiscal relief alone is a laudable goal, we would also like to take this opportunity to express our desire for several incremental changes in current programs. With overall welfare reform at least a few years down the road, we believe that the following changes would be consistent with welfare reform and could be instituted in the meantime. We hope that the subcommittee will give the proposals, as well as those already presented on work programs, appropriate consideration in the near future. Once again, these items are presented in outline form. Our Council and the staff of the American Public Welfare Association stand ready to develop them more fully.

1. The AFDC Unemployed Father program should be modified to Unemployed Parent (to include women, as well as men) and should be mandated nationwide with 100% federal financial participation. The rules governing the operation of the new AFDC-UP program should be made consistent with the operation of the "regular" AFDC program. Statutory requirements as to prior work history (Section 407 of the Social Security Act) and the administrative "100-hour rule" should be eliminated.

2. Efforts should be made to develop uniform definitions of income and eligibility for programs like AFDC and Food Stamps. The duplication of effort which is required, and the complication and confusion for front-line welfare workers could be significantly reduced if definitions were to be made consistent.

3. The definition of disability for Titles II and XVI of the Social Security Act should be liberalized. Currently, there are many persons, truly disabled in terms of work capability, who cannot qualify for Supplementary Security Income or Social Security benefits. This places an unnecessary drain on state and local budgets. Provision should be made for these people (such as individuals with problems of alcoholism or drug abuse), to be eligible for federal benefits.

4. Consideration should be given to a federal share in the funding of assistance provided to single individuals and childless couples. These groups of individuals are often assisted by state and local "general assistance" programs. Due to the variety of state and local programs which exists, some standards may have to be developed for determining which programs would be eligible for federal contribution.

5. The Emergency Assistance Program described in Section 406 of the Social Security Act has been interpreted by several court decisions to cover a very wide range of emergencies. As a result, several states have chosen to withdraw from the federal program rather than meet the very high costs that the program entails. We urge the Subcommittee to revise that section of the law to place realistic limitations on the emergencies states must respond to if they are to be eligible for federal assistance.

6. In his testimony of July 12, 1977, Secretary Califano urged a standardization of work related expenses and a revised work incentive plan for the AFDC program. While the Council strongly favors standardization, this is a very thorny issue for a national organization due to the varying circumstances faced by individual states. While the Executive Committee of our Council

found the Administration's proposal generally acceptable, we cannot speak for all states in advising its acceptability at this time. We commend the Administration for moving in a positive direction on this matter.

I thank you for this opportunity to articulate the Council's views on the non-child welfare parts of H.R. 7200 and various issues related to income maintenance. As I stated earlier, we would be glad to assist you and the Committee staff in further developing the proposals outlined here. I now would like to turn to Mr. Gregory L. Coler, who will discuss the Council's positions on child welfare.

STATEMENT OF GREGORY L. COLER

Mr. Chairman, I appear here today in my capacity as Chairman of the Social Services Committee of the National Council of State Public Welfare Administrators.

For more than a year, a large and representative group of state administrators have been working to develop a workable set of policies which we believe could improve the capability of states to organize and manage a more effective child welfare services system. We undertook this responsibility because, more than any other group of public officials, we are knowledgeable about the present capacity as well as the limitations of our public child welfare system.

We work with the problems of families and children on a day-to-day basis. We cannot escape knowing the special needs of children who are abused, neglected or dependent. As the legal authority for caring for these children in our respective states, we experience first hand the frustrations of not having all the services and resources required to provide the help needed. Our jobs place us in the position of having to be brokers between the limited resources of the larger society and the special needs of those children who have serious problems, special needs or who are for one reason or another without the love and support of a family.

Utilizing the knowledge, experience and concern of state administrators and public child welfare specialists from across the nation, we have, therefore, been advocating for full funding of Title IV-B and increased federal funding for AFDC foster care and subsidized adoptions of hard to place children. We testified before the Public Assistance and Unemployment Compensation Subcommittee of the House Ways and Means Committee on May 4, 1977, and many of our recommendations were incorporated in H.R. 7200.

We appear here today to make available to you the benefit of our experience as you take up the important child welfare proposals in H.R. 7200 and the Administration's proposal. We applaud the initiative shown by the Carter Administration in proposing to expand the role of the federal government in subsidized adoptions, foster care and Title IV-B Child Welfare Services. The National Council of State Public Welfare Administrators of the American Public Welfare Association has for some time advocated many of the specific program improvements contained in the proposal DHEW Secretary Joseph A. Califano described for this Committee in his testimony on July 12, 1977.

We believe it would not have been possible for this significant proposal to be developed without the active support and staff assistance provided by the White House, the Vice President, Senator Alan Cranston and the members of this Committee and their staff. We are confident the cooperative efforts and the broad range of support generated by the development of this proposal will be demonstrated in these hearings. It is our hope the Senate will, after hearing testimony on these issues, make those changes it believes necessary and act favorably on the measure in order that state and local child welfare agencies can begin to utilize the new opportunities by October 1, 1977.

To assist the Committee in their deliberations, I have prepared a brief statement referencing subsidized adoptions, foster care and Title IV-B Child Welfare Services. In these sections I have detailed those elements of the Administration proposal we favor as well as some important parts we believe need to be added or changed. In addition, I have attached to my statement (in Appendix III) a copy of the positions which were formally adopted by the National Council of State Public Welfare Administrators. These Council positions, which have been widely circulated, treat separately: 1) a set of principles we recommend to guide a federally supported adoption subsidy program;

2) a set of guidelines we believe can improve the services and accountability of states in relation to AFDC foster care; and 3) an outline of elements state child welfare administrators believe will enhance the effectiveness of Title IV-B Child Welfare Services.

From a survey of our members we have learned there are approximately 300,000 children in foster care whose maintenance costs are fully or in part supported by public funds. We estimate the total cost of maintaining these children is in excess of $950 million per year. The federal government is contributing, from one source or another, approximately $230 million of this total. The vast bulk of the remainder is borne by state and local governments.

We estimate two-thirds (66.3%) of these children are in family foster homes and the remainder (33.7%) in some type of group living arrangement. It is our hope that as a result of these hearings and with passage of the Administration's child welfare proposal these statistics will be changed in the very near future.

Subsidized adoptions

The Council wholeheartedly supports the Administration's proposal to provide federal financial participation in subsidized adoptions of hard to place children. More than forty states already have some type of adoption subsidy in operation and the availability of federal matching funds will help states to promote needed expansion and improvements in this important program.

A majority of the hard to place children now receiving adoption assistance in the states are those adopted by former foster parents with whom they formed significant emotional ties but who were not able, unassisted, to undertake the additional costs of maintenance or of needed special services on a permanent basis. The special medical services required for children with severe health-related handicaps are beyond the reach of most if not all of prospective adoptive families.

For this reason, the Administration's recommendation that Medicaid (Title XIX) eligibility follow the child into adoption is particularly farsighted. Though not referenced in Secretary Califano's proposal, we believe the special needs of handicapped children who require expensive services not covered by Medicaid should be addressed by this Committee. On suggestion is to allow the subsidy maintenance payment for a hard to place handicapped child to be paid without regard to the income of the adopting family.

In his testimony before this Committee, Secretary Califano said federal matching would be available only for adoption subsidy payments to low income families. We do not feel it is necessary to establish a federal needs test. States should be allowed to set the particular income levels they believe are appropriate in the light of their unique circumstances. After all, the objectives of a maintenance subsidy for these children is to remove some of the very real financial obstacles known to exist because of the conditions which deem the child "hard to place".

If it is found by this Committee to be absolutely essential to limit federal matching of adoption subsidies only for low income families then the eligibility level established should be no less than those required in Title XX, the Social Services Title.

Foster care

The National Council of State Public Welfare Administrators supports the creation of a new Title IV-E into which will be transferred the program and funding authority for AFDC foster care and the new adoption subsidy maintenance payments. Locating the administrative authority for this new Title in the Office of Human Development is consistent with our position that these programs are more service-related and should be administered in the same agency as Title XX.

In the proposal Secretary Califano outlined before this Committee on July 12, there were a number of changes recommended which affect AFDC foster care payments. For example, the Secretary said there will be a lower federal matching rate for foster care children in large institutions. He did not define what is a "large institution". The Secretary also announced there will be federal matching available for children placed in small public institutions but he did not indicate what will be considered a "small" institution.

At the present time, no federal match is available to states for children placed in "public" institutions so this change is welcome. Nevertheless, we believe it is important that the definition of a "large" institution be one in whch there are more than 25 children residing. Such a designation would be the same as Representative Charles Rangel's (D.-N.Y.) proposed in H.R. 7200. Small institutions will then be considered to be those with 25 or fewer children which will allow federal matching for group homes and residential treatment centers.

The Administration's proposal to place financial disincentives on states for children placed in large institutions is not altogether consistent with Secretary Califano's testimony in which he talked about a federal/state partnership in developing a stronger child welfare services system. We agree that the prospect of great number of children continuing to reside in large institutions is not a desirable one. Nevertheless, it will take some time to locate, build or develop the kind of facilities we all believe are more suitable. Now that states are going to receive additional financial support for many of these children, we think there will be significant changes and overall improvement very quickly. Therefore, we urge the Senate to consider delaying until FY 1980 imposition of the financial disincentives thereby providing states two years time in which to use the new resources of this proposal to develop alternative residential placements.

Similarly, if the Committee believes it is necessary to place a cap or ceiling on Title IV-E we recommend that imposition of the ceiling be delayed until FY 1981. By that time states will have had two or three years experience with the new funding resources outlined in the Administration's proposal. Also, by that time it is anticipated all the states will have used their new Title IV-B funds to develop more sophisticated and accountable systems for administering foster care services.

Finally, in the Administration's proposal on foster care, there is a recommendation to provide federal matching for voluntary and emergency placements provided that a court or quasi-judicial review is conducted or the child is restored to his or her family within three months. While we support the objectives of this recommendation, we believe it would be even more useful to extend the allowable period to six months. In some instances it requires that much time to determine whether or not a child can be returned to his or her home.

Child welfare services—title IV-B

We wholeheartedly endorse the proposal to make Title IV-B an entitlement program and increase the funding from the present $56.5 million to $266 million. Before listing our specific recommendations in regard to the Administration's proposal for IV-B, we would like briefly to suggest what we believe that Title is, and what it is not. To begin, Title IV-B is unique among federal programs; it is not just another pot of money to struggle over and divide. IV-B has supported the child welfare services that took root in state and local public agencies, with the cooperation of voluntary and charitable organizations, long before there was a Social Security Act.

IV-B has carried on the social welfare principle that you don't ask a child or his family in need of social services, what is the amount and source of their income before extending help; nor do you deny help to children for any reason related to income, or its source.

IV-B was launched with the notion that, given a broad and flexible mandate, professionals in caring federal government and professionals in caring state governments could plan together jointly to develop, extend and strengthen a public child welfare services program and delivery system—a system that could help a child and his family before the problem, whatever it might be, had become a crisis; and, if the problem were critical at the point of intervention, to protect the child and secure a home for him.

That concept worked, and it did not need a blueprint engraved in federal statutes and embossed in federal regulations. It resulted in state laws and state programs—some laws and some programs better than others—but at least it represented a beginning everywhere. The beginning, that is, of a solid, publicly funded child welfare services system in every state, in very political jurisdiction.

The concept worked, though it never had a chance to fully develop; then Congress had its attention called to more glamorous legislation intending to solve, or mitigate, this specific social problem or that particularly visible—and acceptable—social ill that had just then caught the national attention. As a result, the federally-supported portion of IV-B began to starve for lack of funds, and to wither in its purpose. Federal policy-making staff became discouraged, or looked elsewhere outside the federal system, for the means to assist children. Management and budget experts sold the notion that you shouldn't invest in a program unless for every dollar spent you could project a savings of three dollars, multiplied by whatever number of years suits the purpose. The day of the swift solution for social problems dawned—and was followed by even swifter dissolution. That is when all children and families began to lose the potential for assistance from IV-B, the one program that was set up to help them in their present need, with various services, so as to reduce long-range social costs. We will not be able to control those costs unless we start now to rebuild a child welfare services system that can one day produce sound data and sound research—and then deal with it. The Administration's proposal is a big step in this direction.

As I said earlier, we know there are severe problems in some child welfare services programs. We, and our counterparts in other states, probably know them better than anyone else. We know that some state social welfare laws, or programs or practices affecting children leave much, much to be desired; and we also know that you don't change them overnight or without help. Help is somewhat different than coercion.

Our programs need the additional IV-B funds the Administration has recommended and they are needed as an entitlement that can be counted on for future planning. We need these funds for services, no less important, for a services delivery system, including competent professional staff and improved management operations.

We need that federal agency leadership and help in planning which is presently required by law for Title IV-B; we would like it to be understood that, when we talk about planning, we are talking about plans that show what we intend to do with our IV-B funds in that year and for several years ahead so as to strengthen and extend the child welfare services program and delivery system. As you well know, those activities cut across a myriad of federally funded human services programs and others that the states fund on their own. We do not think that complicated or controversial legislation is what is needed now. We do not think that IV-B should be substantially revised. We support the requirement that there be a maintenance of effort provision. Also, we support the requirement that none of the additional $209.5 million may be used for foster care maintenance.

However, we would prefer a matching formula different than the 75-25% referenced by Secretary Califano. Our proposal is to eliminate the match altogether or at least revise the present formula to provide for a 90-10 ration. Finally, we believe the entire $209.5 million should be available immediately to the states. We believe the goals and objectives the Secretary outlined in his two-phased approach to IV-B funding can be achieved without the need for administrative complications required by the two-phased funding approach.

The possibility of full funding for Title IV-B is exciting. As public administrators we are eagerly anticipating the additional funds because they are important far beyond their dollar weight in as much as they can be used to strengthen the backbone of the child welfare services system in the U.S. The National Council of State Public Welfare Administrator's Social Services Committee identified the following as high priority uses among their states for additional Title IV-B funds:

a. To move from inappropriate dependency on "crisis intervention" toward an array of services to secure, or enhance, the well-being of a child within his family setting, at a point before the problem of the child or his family becomes severe, intractable, or critical, without regard to income levels of the family.

b. To meet, through innovative measures, the challenge of recruiting more adoptive homes for children with special needs, for example: children who are older than the conventionally desired age; are members of a minority group; or are physically or mentally handicapped.

c. To strengthen nationwide child welfare service programs and delivery systems, by providing funding support for adequate numbers of competent professional staff.

d. To strengthen or extend services for status offenders (persons, or children, in need of supervision) so as to support emerging state policy for diverting these children from the juvenile justice system and to avoid institutionalizing them. This objective will became a very high priority in some states as increasing numbers of ever younger persons need these services, and as federally funded demonstration projects terminate (and funds are consequently lost). While diversion has become a policy backed by law, there remains in most states a chronic shortage of funds and interest to support social services for this group of children.

e. To develop and strengthen the public child welfare services delivery system through improved capacity in such areas as: Case management and tracking systems; monitoring of services (including purchased services); management information for use in program planning, cost control, evaluation and reporting; and development, monitoring and enforcement of licensing requirements and program standards for all child care facilities and all child placement agencies.

f. To fund state and local demonstration projects and support the extension, and institutionalization, of successful demonstration programs, both services (such as adoption assistance) and systems (such as reporting, accounting, etc.).

Thank you for the opportunity to appear here today and share with you our ideas and suggestions on subsidized adoptions, AFDC foster care and Title IV-B. Any and all of us are prepared to meet with you or your staff if you need more information or have particular questions about how these changes will affect your state. Thank you.

APPENDIX I

SSI PROVISIONS OF H.R. 7200

PROVISIONS SUPPORTED BY NCSPWA

Section 102—*Attribution of Parents' Income and Resources to Children* (Section 2 of H.R. 6124; Section 4 of H.R. 8911). Supported by NCSPWA 10/8/75. Supported by DHEW.

Section 103—*Modification of Requirement for Third-Party Payee* (Section 4 of H.R. 6124; Section 7 of H.R. 8911). Supported by NCSPWA 10/8/75. Supported by DHEW.

Section 104—*Continuation of Benefits for Individuals Hospitalized Outside the United States in Certain Cases* (Section 5 of H.R. 6124; Section 8 of H.R. 8911). Supported by NCSPWA 10/8/75. Supported by DHEW.

Section 105—*Exclusion of Certain Gifts and Inheritances from Income* (Section 6 of H.R. 6124; Section 9 of H.R. 8911). Supported by NCSPWA 10/8/75. Supported by DHEW.

Section 106—*Increased Payments for Presumptively Eligible Individuals* (Section 7 of H.R. 6124; Section 12 of H.R. 8911). Supported by NCSPWA 10/8/75. Supported by DHEW.

Section 107—*Termination of Mandatory Minimum State Supplementation in Certain Cases* (Section 9 of H.R. 6124; Section 15 of H.R. 8911). Supported by NCSPWA 10/8/75. Supported by DHEW.

Section 108—*Monthly Computation Period for Determination of Supplemental Security Income Benefits* (Section 10 of H.R. 6124; Section 16 of H.R. 8911). Supported by NCSPWA 10/8/75. Supported by DHEW.

Section 109—*Eligibility of Individuals in Certain Medical Institutions* (Section 11 of H.R. 6124; Section 18 of H.R. 8911). Supported by NCSPWA 10/8/75 with reservations.[1] Opposed by DHEW, because of estimated cost ($13 million) and interaction with Section 113.

Section 111—*Exclusion from Income of Certain Assistance Based on Need* (Section 12 of H.R. 6124; modification of Section 19 of H.R. 8911). Supported (in effect) by NCSPWA 10/8/75 (In combination with the Keys Amendment

[1] See Addendum on p. 224.

already enacted, this provision will give full effect to the Council's views as expressed in October 1975). Supported by DHEW.

Section 201—*Extension of SSI to Puerto Rico, Guam, and Virgin Islands* (Section 11 of H.R. 8911). Supported by NCSPWA 10/8/75. Resupported by NCSPWA 3/77. Opposed by DHEW.

ADDENDUM

Section 109—*Eligibility of Individuals in Certain Medical Institutions.* This section would provide that reduction of a recipient's benefit rate to $25 (because of institutionalization) would not be required until the fourth month (rather than after the first full month) of such institutionalization.

Although the Council had approved this provision when it first was proposed in H.R. 8911, the Council had directed attention to the accompanying essentiality that the Congress by law or the Secretary by regulation deal with the issue of the *use* of the undiminished SSI income (including state supplements) that would continue to be paid to institutionalized recipients for up to three months. Under existing law and regulation, such income could and would be preempted by the Title XIX agency as an offset to the Medicaid obligation.

SSI PROVISIONS OF H.R. 7200

POSITIONS ADOPTED BY NCSPWA EXECUTIVE COMMITTEE ON JULY 13, 1977

Section 110—*Cost-of-Living Adjustments in SSI Payments to Individuals in Certain Institutions* (Adopted by the NCSPWA Executive Committee with reservations).

Rationale.—This is a new proposal, not previously incorporated in any form in H.R. 8911 or H.R. 6124. It would provide for automatic cost-of-living adjustment hereafter of the special $25 per month benefit rate for persons in "Medicaid institutions". The proposal is opposed by the Administration.

Although no proposal of this nature had previously been addressed by the Council, it is probable that a substantial number of the states would call critical attention to one or more of the following issues:

1. It is open to question whether a rise in the general Consumer Price Index should be presumed to have the same percentage effect on the residual "personal expense needs" of an institutionalized patient as on the total living costs of an individual or couple maintaining a home in the community.

2. If the automatic cost-of-living adjustment is to apply uniformly to all SSI benefit rates, should it not also apply to the dollar amounts of resources exemptions and limitations and unearned income disregard now fixed in statute?

3. If the special benefit rate for institutionalized recipients is to be increased, attention must be given to the questions whether such increased income should and would be treated by the Title XIX agency as an offset to the Medicaid obligation.

4. If the special institutional benefit rate is to be automatically increased, how would such mandate interact with the "mandatory pass-along" requirement now imposed on supplementing states, particularly those which have heretofore established a special supplement for such persons?

Section 112—*Exclusion of Certain Assistance Payments (Under the Housing Act of 1976) from Income* (Deferred by the NCSPWA Executive Committee).

Rationale.—This is a new proposal, not previously incorporated in any form in H.R. 8911 or H.R. 6124, to deal with a technical issue of past overpayments, and a philosophical issue of equitable treatment, that have arisen under a provision of the Housing Authorization Act of 1976. The proposal is opposed by the Administration.

The Council had supported the enactment of the particular provision of the Housing Act (originally Section 20 of H.R. 8911) which has given rise to the new proposal. The Council would probably not favor any modification at this time which would have any vitiating effect on that provision.

Section 113—*Definition of Eligible Spouse* (Supported by the NCSPWA Executive Committee).

Rationale.—This is a new proposal, not previously incorporated in any form in H.R. 8911 or H.R. 6124. It is opposed by the Administration on the grounds

that, in combination with Section 109, it would "complicate the program, increase program costs, and may promote family breakups".

Although this specific proposal had not previously been addressed by the Council, the SSI Liaison Committee of the Council had, since the inception of the program, been greatly concerned about the gross inequities, the unconscionable hardships, and the administrative complexities that have been affecting eligible individuals who become separated in fact from their spouses but who must continue to be dealt with for a full six month period under the pure fiction that they are still living together.

Section 113, standing alone, would probably be affirmatively supported by a clear majority of states. The administrative difficulties that it might entail would be less than those now develving on the Social Security Administration and on state, local and voluntary agencies as well, in trying to make the present provision viable.

Section 114—*Coordination with Other Assistance Programs* (Supported by the NCSPWA Executive Committee).

Rationale.—This is a new proposal, not previously incorporated in any form in H.R. 8911 or H.R. 6124. It would require the Secretary to "take such actions as may be necessary and appropriate to coordinate the administration of the (SSI, Medicaid, and Food Stamp) programs." The proposal is opposed by the Administration.

Although this specific proposal had not previously been addressed by the Council, there had been long-standing concern unanimously expressed by state administrators over the insufficiency of effective coordination among the three programs mentioned. It is probably, however, that a majority of the state administrators would see Section 114 as little more than an exhortation to the Secretary to do that which he would already be doing, as as failing to come to grips, in a substantial way, with the specific statutory and orginizational conflicts that stand in the way of effective coordination of programs.

Section 115—*Attribution of Sponsor's Income and Resources to Aliens* (Opposed by the NCSPWA Executive Committee).

Rationale.—This is a new proposal, not previously incorporated in any form in H.R. 8911 or H.R. 6124. It would impose certain limitations on the availability of SSI to needy aged, blind, and disabled resident aliens, even though legally admitted to the United States. The proposal is supported by the Administration.

Although no proposal of this nature had previously been addressed by the Council, many state administrators have expressed the same concerns as the sponsors of the provision about the ready availability of income maintenance at public expense to newly-arrived aliens who have secured admission on the representation that they would be self-supporting. All state administrators would agree, however, that the problem is not satisfactorily solved or substantially ameliorated by the proposal before you.

By categorically denying SSI eligibility to some of such aliens whose admission has been "sponsored", without creating a statutory base and legal machinery for either the public authority or the alien himself to enforce the obligations of such "sponsorship", the burden of support of such perosns is automatically shifted from the federal authority (which sanctioned the client's admission) to state and local governments which played no part in the admission and which are powerless to effect the alien's repatriation. Both state and federal courts have ruled that states and localities may not withhold essential help, under their general assistance programs, from destitute persons merely because they are non-citizens. Section 115 merely excludes some needy persons from SSI eligibility, without providing any remediation for the individuals concerned or for state and local governments.

The National Council of State Public Welfare Administration of the American Public Welfare Association unanimously adopted the following resolution at a meeting of its full membership on March 1, 1971:

Whereas, the immediate fiscal situation throughout the States and Territories is most critical, and Federal help is most urgently needed; and,

Whereas, the Congress is now considering legislation to increase Social Security benefits and to reform the present welfare program; and,

Whereas, such welfare reform require many months of careful thought and consideration; now, therefore be it

Resolved, That legislation providing Social Security benefits retroactive to January 1, 1971 be combined with provisions to establish a "hold harmless"

formula (based on calendar year 1970) which would establish a ceiling of 80% of state expenditures for all cash payment programs and Medicaid for all categories, starting January 1, 1971. In addition, there would be provision for a decreasing scale in the formula starting with 60% for the following year, ending up with zero by the fifth year. Such legislation will provide immediate fiscal relief to States and Territories from overwhelming costs while the Congress considers long-range Welfare Reform.

POSITIONS OF THE NATIONAL COUNCIL OF STATE PUBLIC WELFARE ADMINISTRATORS OF THE AMERICAN PUBLIC WELFARE ASSOCIATION ON FULL FUNDING FOR TITLE IV-B, CHILD WELFARE SERVICES, FOSTER CARE AND SUBSIDIZED ADOPTION

I. POSITIONS ON SUBSIDIZED ADOPTION LEGISLATION AND RELATED ISSUES DEVELOPED BY THE ADOPTION ASSISTANCE SUBCOMMITTEE OF THE NCSPWA SOCIAL SERVICES COMMITTEE OF JUNE 16, 1977, AND APPROVED BY THE NCSPWA EXECUTIVE COMMITTEE ON JUNE 30, 1977.

1. *Accountability Should Be Based on Data, Not Directives.* The core of a nationwide effort to achieve accountability within the foster care and adoption programs operated by state and local governments through public child and family services agencies is the establishment of automated data systems that can provide management information, program monitoring and oversight capability at the state, local and federal levels, and that can, at the same time, function as a basic tool for casework management for the front-line worker. Such a system has been or is now being developed in a small number of states for implementation in the near future.

By producing information such as numbers of children placed in various settings in all political subdivisions; on whether a case plan exists and whether the plan has been executed; on duration of foster care placements; on numbers of children freed for adoption and numbers of those freed that are placed in adoption; and on the costs associated with each of these questions, foster care information systems if implemented nationwide would enable state administrators to be accountable for their programs at all levels and would establish the basis for accountability to the federal government on the basis of program goal accomplishment rather than upon compliance with mandated procedures.

In order for a foster care and adoption information system to be implemented nationwide, it is essential that Congress provide HEW with authority for 90-100% matching for establishment of such information systems in each state and, to the extent that these systems are a part of nationwide information exchange systems (as in adpotion information exchange), for funding costs of maintenance. Above all else, it must be recognized that the ultimate effectiveness of any management information system is dependent on the availability of trained staff and the organizational capacity to carry out the assigned responsibilities.

2. *Eligibility for Federally Supported Programs for Children with Special Needs be Continued Subsequent to Their Adoptions.* The single most important feature of legislation to provide adoption assistance for children with special needs is the provision of authority for continuing eligibility to participate in federally assisted programs such as Medicaid and maternal and child health programs, once the child has been placed in adoption. This is due both to the fact that: (a) a majority of the children receiving adoption assistance in the states are those adopted by former foster parents with whom they formed significant emotional ties but who were not able, unassisted, to undertake the additional costs of maintenance or of needed special services on a permanent basis; and (b) special medical services for many children with severe health-related handicaps are beyond the reach of most if not all of prospective adoptive families. Both these factors represent barriers to the adoption of children. States lack the resources to overcome these barriers without federal assistance. As a result, many of these children remain in permanent foster care for periods of time that preclude their best interest ever being served.

3. *Eligibility for Adoption Assistance Based on Child's Needs, Not on Categorical Relationship.* Subsidized adoption is, like foster care, a maintenance program and should not be restricted to AFDC or any other categorical program. To do so is to exclude from benefits persons with similar needs.

4. *Duration of Adoption Assistance Should be Based on the Needs of the Child, and at Least to the Age of Majority.* An artificial, time-limited program will not assist the effort to find prospective adoptive homes for children with special needs. As noted above, a majority ranging from 50 to 90 plus percent of children in current adoption subsidy programs were adopted by their former foster parents who need at least the financial stability provided by the foster care maintenance program. Restricting the duration of assistance to the number of years the child has spent in foster care constitutes an incentive to continue foster care so as to increase the length of time adoption assistance can be available and thus contravenes state policy to move children who are freed for adoption into permanent homes as rapidly as possible.

5. *Eligibility Based on Length of Time in Foster Care and Upon Specified Months of Search for Unsubsidized Alternatives to Adoption Assistance are Programmatically Undesirable.* Neither of these provisions relates to the needs of the child, and it is those needs that should govern arrangements for adoption assistance. Additionally, it is unwise to establish in federal law a policy that suggests subsidized adoptive homes are less desirable because of the financial inability of prospective adoptive parents to provide for the medical or maintenance needs of the child without some assistance.

6. *A National Office of Adoption Information and Services* would focus nationwide attention and program assistance in an area where there has been no federal policy heretofore; however, the specific placement of such office within DHEW should not be mandated. If such office is established by statute within HEW, it should be vested with authority and responsibility to coordinate policy among the several affected HEW agencies as pertains to adoption assistance payments, services and administrative issues such as information and reporting system. This recommendation is intended to help avert the duplication of existing activities, the promulgation of conflicting policy, the diffusion of authority, lack of communication and the obscuring of lines of responsibility at the federal level. It also recognizes that, in the interest of enabling HEW to rationalize its administrative structure, statutes should not direct the placement of new agencies and offices within that structure.

7. *If Established, a National-Level Committee on Uniform Adoption Regulations Should Develop Principles for Interest Adoption of Children With Special Needs, Not Practices, and it Should Comprehend the Differing Laws Among the States and Territories.* At least one-third of the membership of such committee should be comprised of administrators of state and local public agencies responsible for services to children and families. If uniform adoption regulations are to be developed, their scope should be confined to direction-setting that would facilitate the interstate placement of children with special needs and the continuity of adoption assistance in the case of interstate movement of their adoptive parents. This recommendation recognizes that it is not possible or reasonable in a federal system of government to require laws with uniform language in fifty states, nor is the application of common standards any guarantee against litigation in the matter of rights involving parents, foster parents, guardians and children. States are also mindful that over-specificity in the child abuse and neglect statute (P.L. 93-247) and its implementing regulations foreclosed most states from participation in the first two years of that program and continue to this date to preclude participation by 10-11 other states.

8. *Maintenance of Effort for Adoption Assistance for Children With Special Needs Should Not Penalize States That Have Pioneered in This Program Area.* If a new and separate funding authority for adoption assistance (including funds to support training and staff as well as payments and services for children with special needs) is established by federal statute, maintenance of state and local effort in terms of expenditures on assistance payments should be tied to their caseload in a specific base year. This action would prevent utilization of new federal funds to supplant state and local effort as pertains to payments for those individuals, but it would not disadvantage states whose adoption assistance payments can be expected to decline in future years due to their intensive efforts to place children with special needs who had been free for adoption but remained in foster care until the state's adoption subsidy program was developed.

II. FOSTER CARE PROGRAMS AND ACCOUNTABILITY: POSITIONS DEVELOPED BY THE SOCIAL SERVICES COMMITTEE ON MAY 31, ADOPTED BY THE FULL COUNCIL ON JUNE 2, 1977.

With regard to foster care programs assisted in part through AFDC/Foster Care and Title IV-B Child Welfare Services, as well as those supported solely by state and local funds, the Social Services Committee strongly shares Congressional concern for so improving the system as to assist objectives that children shall be placed only in appropriate settings, that they are never allowed to languish in foster care or enter the system unnecessarily, and that high quality professional services are everywhere available to such children and their families through public child and family services agencies, together with a variety of suitable supplemental and substitute care facilities. The Social Services Committee therefore recommends to the Senate as it considers social services legislation, that the following provisions, which it believes to be a more comprehensive, positive and feasible means to accomplish these objectives be incorporated in law and legislative history as an alternative to Section 402, Foster Care Protection, in the bill H.R. 7200.

Require the Secretary of HEW, in amendments to Title IV-B, to:

1. Conduct a review of current state laws, policies; practices, standards, procedures and experience in the provision of foster care by a certain date (e.g. June 30, 1978).

2. Based upon this review (and in consultation with appropriate groups, a percentage of which should consist of administrators of state and local public welfare agencies providing child and family services) develop and propose through publication in the *Federal Register* by a certain date (e.g. January 1, 1979) regulations to establish the following services and activities: (a) preventive services to avert unnecessary placement in foster care; (b) criteria for placement settings; (c) services directed toward reunification of children with their families; (d) semi-annual administrative reviews and dispositional reviews within 18 months of a child's placement; (e) fair hearings procedures, including the right to appeal denial of a benefit available under Title IV-B; (f) procedures to secure parental involvement in the child's plan for service, and in decisions affecting the conditions and circumstances of the child while in foster care. (Implementation date for such regulations should allow sufficient time for states to make any necessary revisions in state laws, regulations, standards, procedures or practices.

3. Prepare for presentation to Congress (prior to a certain date, e.g. January 1, 1980) a legislative proposal for a federally-assisted foster care program to replace existing Title IV-A Section 408, which program would not be restricted to categorically related public assistance programs.

4. Assess each state's current systems-capacity relative to child welfare services data gathering and analysis, and program and financial information and reporting by a certain date (e.g. June 30, 1978); and, then, by a later date (e.g. June 30, 1980) provide grants and technical assistance to states to implement the system, with a view to assuring nationwide participation in a reasonable period of time.

5. Make available to the HEW agency assigned responsibility to carry out requirements in subparagraphs (1) through (4) above, administrative expenditures and staff necessary to carry out these activities in the time frames indicated and, on a continuing basis to assist states in developing laws, regulations, standards, practices and procedures to conform with the regulations to be developed under subparagraph (2) above, and to meet requirements of other federal statutes which related to child welfare services including categorical programs for child abuse and neglect, adoption assistance, juvenile delinquency prevention, runaway youth, etc.

III. TITLE IV-B CHILD WELFARE SERVICES: POSITIONS DEVELOPED BY THE SOCIAL SERVICES COMMITTEE ON APRIL 26, ADOPTED BY THE FULL COUNCIL ON JUNE 2, 1977.

1. *Funding.* Provide for full funding of Title IV-B at $266 million in FY 78 and for its conversion from an annual appropriation to an entitlement program. Continue provisions for annual reallocation of unused funds.

2. *Maintenance of Effort.* A realistic maintenance of effort provision should be designed (a) to forestall supplanting of state and local funds now utilized

to provide the match to Title IV-B and Title XX; (b) to assure that the services effort represented by the federal share received from Title XX for child welfare services-related activities is not transferred to new federal IV-B funds, thereby undercutting the intent to support actual increases in services and support activities; and (c) to insure that the "new money" made available for IV-B actually results in a new increase in services and support activities over a base year.

3. *Prohibiting Use of New IV-B Funds for Foster Care Maintenance Payments.* Increases in Title IV-B funds above FY 77 appropriations should be protected by a prohibition on their utilization by any state for foster care maintenance payments; however, a state's IV-B allotment for FY 77 should be exempted from this prohibition.

4. *Matching Formula.* Eliminate the requirement for states to provide a dollar match in order to receive their allotted shares of IV-B funds annually available under a $266 million entitlement program; or revise the present formula to provide for a 90-10 ratio.

5. *Research, Training or Demonstration Projects.* Section 426 should be retained; these funds are essential to the federal-level effort to strengthen and improve the nationwide child welfare services system.

6. *Title IV-B Should Not be Consolidated with Title XX.*

7. *Amend Section 408, AFDC/Foster Care Payments.* The scope of federal financial participation in the costs of foster care, and the conditions for such participation, should be fully reviewed in the context of welfare reform. Meanwhile, Section 408 should be amended to permit states to claim reimbursement for payments under voluntary placement agreement.

Senator MOYNIHAN. We are now going to hear from a panel representing the workers actually employed in these matters.

Miss Carol Parry, assistant administrator, New York City Human Resources Administration; J. N. Peet, who is the administrator of Children's Services Division, Oregon Human Resources Department; and Miss Barbara Sabol, director, Kansas Division Children and Youth.

We are very happy to have you here. We want to express our appreciation for your patience with us. The hearing has gone on in length because the subject matter deserves it.

However you have allocated your time, Miss Parry.

STATEMENT OF CAROL PARRY, ASSISTANT ADMINISTRATOR, NEW YORK CITY HUMAN RESOURCES ADMINISTRATION

Ms. PARRY. We each having something that we do want to say. We are very much in concert. We find, representing three different States and New York City, we share our opinions about what needs to be done here to a very large extent.

We will try not to be too repetitive, but to give you some perspective from three different parts of the country, which I think will be very valuable.

We are in the front line. We are the administrators of these programs, and I think that gives us a very special perspective on what should and should not be done to correct some of the deficiencies in the foster care and child welfare system.

I run a very large agency in New York City. I am responsible for child protective services, foster care, adoption, juvenile detention services, services to prevent families from breaking up, and a whole range of general family support services. I have 28,000 children in foster care. I operate the largest foster care program in the country, and I have a budget of over $300 million of which $280

million, as you heard from our comptroller's report, is spent on foster care expenditures.

If I could take a point of personal privilege at the beginning to answer a question that you asked Mr. Goldin, Senator, you asked him what needs to be done to correct the system. He said, we need better accountability and stronger requirements in Federal law. I could not agree more.

This is one instance where one of those audits agrees with some of our perceptions of the system.

Realistically, we have to recognize that accountability systems themselves do not produce change. It is the outcome of reviewing cases that produces change, and that costs money.

I have workers who review records and periodic reports on children. Let us say, for example, that they find that a child should be adopted who is not in the adoption process. We then need an adoption service to get that child adopted. We find the child should be returned home, if the parent got adequate support, if new housing could be found, if a homemaker can be provided, mental health services can be provided. These cost money.

Realistically, you have to recognize that the best accountability and monitoring systems are only a part of it. You have to have the services at the other end to make changes occur.

I would like to address myself very quickly to the major issues in H.R. 7200 and the proposals that the administration has made on foster care and adoption services.

First of all, in regard to IV-B, we support full funding of IV-B immediately with $366 million with priority for services for families and we would like to see this money provided with 100 percent Federal funds. Any matching program automatically provides some disincentives to States and localities.

I have survived the last 3½ years in New York City and I can tell you, anything that requires a dollar of tax levy expenditure is very unlikely to occur.

I urge full Federal funding.

I also urge you not to merge these funds with title XX which is a proposal that we have heard bandied about. Right now we are overspending to such an extent on title XX services—I think this is true of all my colleagues here .

Senator MOYNIHAN. You are overspending?

Ms. PARRY. Spending over the Federal ceiling on title XX. We are making up the difference with local and State funds—that any increase in title XX would have to be so enormous in order to first cover the deficit and then cover new programs, that the child welfare services that we are interested in would get lost completely.

We need specialized targeted services for special purposes.

For example, in the area of preventive services, we have had a demonstration project in New York State which has been evaluated by the Child Welfare League which showed that up to $6,000 per year per child could be saved by preventing foster care or getting the children returned to their families quickly.

Of the project children, 70 percent were prevented from entering foster care. Of those already there, 50 percent were returned home.

We agree with Mr. Goldin's report that the length of stay is too long, and more children should be returned home, but we clearly see the need for money now to provide the kind of services that will expedite that.

We do not feel, as the administration has proposed, that the IV-B money should be split into two pots: one, the first year, for tracking and other systems; and the second year for services. These go together. In fact, if you wanted to be logical about it, a tracking system is set up to find out what you are doing and not doing in services, and the services should come first and the tracking system second. They seem to have everything reversed in HEW.

There is an immediate impact in dollars and in lives of providing the kinds of services this new IV-B money would pay for. Every time we prevent the child from entering placement, you save New York City $6,000 annually. That can be measured, and that can be counted, as we did in our demonstration programs.

In summary, in IV-B, we want full funding now. We want new money earmarked for prevention, family restoration and adoption.

We want 100-percent Federal funding, and we want it as an entitlement.

For your information, Senator, particularly, this means $14 million new dollars for New York State plus I estimate a savings of up to $25 million from prevention of foster care expenditures and more quickly restoring children to their families who are now in foster care.

The second major issue concerns the adoption subsidy. 7200 now provides for adoption subsidy based on the needs of the child, based on the definition of the child is hard to place. We would like to see that definition remain and the subsidy be provided up to the age of the majority of the child, as it is in all of our States now.

All three of us have adoption subsidy programs which are very successful. We would like to see continued medicaid eligibility, particularly for the handicapped child.

Again, in dollars and cents—again, I am a social worker, so I am concerned with children, but I am very concerned with money as a city administrator—this is a savings of $6,000 a year to the Federal, State and city government for every child we get adopted.

If the 3,500 AFDC eligible children in New York City whom we have identified as potentially adoptable were adopted with subsidy, this would save the Federal Government $11 million annually that you are now expending in foster care costs.

If there is the possibility of an income test for potential adoptive parents under the subsidy program proposed by the administration, we urge strongly that handicapped children be exempted from this. In our State, they are exempted. You simply cannot get the incentive for parents to adopt the severely handicapped child, as Mr. Coler pointed out, without some liberal financial resources available, regardless of their income.

This, again, has an immediate and quantifiable impact. Every child who is adopted saves money. It can be counted; it can be measured. It clearly is a very hard service that has a result that is directly available to all of us.

Let me just give you——

Senator MOYNIHAN. May I say, with 15 minutes divided three ways——

Ms. PARRY. The summary of our position on adoption subsidy, we would like subsidy until the age of majority based on the child's need. If there is to be an income test, it should be handicapped children should be exempted and we would like also to see some provisions for bringing children into the adoption subsidy program, the Federal programs being proposed who are now in foster care who are now getting AFDC-FC because they have not come in with an initial court determination.

We propose, therefore, if there is an existing court or administrative review procedure like the 18-month procedure in 7200 that this become an eligibility factor for children currently in care. These are often the children who are the hardest to adopt, the older children. They have been lingering in foster care a long time. We will pass over them if we do not make provisions for bringing them into the subsidy system.

The third issue is judicial determination; 7200 eliminates that requirement. The administration proposes a 3-month judicial determination. We are opposed to initial or 3-month determination. They prove to be a waste of money and time.

The courts approve 95 percent of our placements and it costs us $1 million a year to go through a subber-stamp court procedure in order to bring down Federal reimbursement.

The real solution and protection of rights of natural parents, which is a major concern that Congressman Miller pointed out, is a contract between the agency and the foster parent and the provision, as we all have, the three of us in our state laws, for automatic return of a child who voluntarily is placed at the request of a parent. That is the best protection of all. No due process or court procedure could do better than the fact that I must return a child if the parent requests it.

Finally, the ceiling on foster care expenditures. Briefly, we oppose the ceiling on foster care expenditures. We feel it is discrimination against one group of AFDC eligible children versus the other group who are getting public assistance in their own homes.

It does not take into account that we have a growing adoption subsidy program or what that may cost. The cost of living increases, which are enormous, as you all know, is unpredictable factor. What will happen to our caseload because of better reporting systems, changes in juvenile laws, economic conditions and so forth.

The last word. We support strongly 7200's provision that public funds, Federal funds, be available for publicly operated programs of up to 25 children.

In New York City, we have small treatment centers which we have developed as alternatives to institutions for 24 children. We could not do this for a smaller group of children, because we have many schools with these facilities, psychological and psychiatric services. We sometimes have indoor recreation programs. These are not children who can be integrated fully into the community that they can live in a community setting. Anything smaller than 25 becomes economically impossible to do.

With that, I would like to introduce Mr. Peet who will speak to you about Oregon.

STATEMENT OF J. N. PEET, ADMINISTRATOR, CHILDREN'S SERVICES DIVISION, OREGON HUMAN RESOURCES DEPARTMENT

Mr. PEET. Thank you.

Mr. Chairman and members of the committee, I submitted a typed testimony plus some exhibits plus some comments on Secretary Califano's position. If you will be so kind to read those into the record, I will go through six points very quickly.

The first of these—it has not been discussed today, but under day care, section 301, this provides additional funding. Of course, we are in favor of that. However, we did survey every one of the States. We have that survey. We know how many States do, in fact, observe the Federal standards who say they do. That total is 28. We are one of these States.

What this really means is this. In the day care arena, the only people who can afford day care in a federally certified center any more are those individuals who have their day care subsidized heavily by either the State or Federal Government. The rest cannot afford it, due to the hourly cost.

We would propose—and I have submitted an amendment to do that—that you would reduce that requirement so that if you did have the standards in effect in September 1975, or, where the State has adopted statewide standards, it would be held to have met the requirement.

make a significant increase in the children receiving subsidized day care. In our State, 16,000 receive but only 4,800 are subsidized.

Section 401. This deals with the services. Again, of course, we are interested in the full funding, but I think here there are two points that are extremely important.

One, what is the purpose of the funding? You have to determine it. Is it for fiscal relief to the States, or is it to provide services in an attempt to drive down the foster care load?

What I am referring to in that area is a strong provision for maintenance of effort, and I have proposed an amendment that does that.

The second point is with services, and the reason why it is so important that they be made available now. What we have done in Oregon is divert the person from getting into foster care, if you once get into foster care, it is more difficult to get you out, but you can run in a homemaker to take care of that family, and avoid the placement. You can arrange parent training for individuals who really do not know how to be parents and as a result come to us through child abuse.

We think it is extremely important that service money be made available to divert. In Oregon, we happen to spend a large some of State revenue above and beyond the title XX ceiling in millions of dollars to do this. It is working very well.

Our sole objection to that section deals with the necessity to constantly improve what is required without the continuity of additional dollars coming forth. There is a gap, and we do oppose that gap.

Under foster care protection, I think that it is significant that in Oregon we have driven down the number of individuals in foster

care from 4,477 in 1971 down to 3.668 in 1976, and we are now looking at a budget of approximately 3,300 children. We did this without court review. We do not have court review in Oregon, but I have submitted in my attachments a printout, that comes off a computer, for every single caseworker that lists every single case they have, and it is starred when that individual needs to be reviewed.

There is a system for the review. It goes 15 days, 28 days and from then on, there are multiples of that, and no child is held in a temporary placement longer than 56 days.

When he goes into foster care, that, too, is reviewed.

We have a heavy percentage—very heavy—of volunteer type admissions for which the Federal Government does not pay at all. I think it is important when you realize that I only have 468 children left in foster care that have been there for 12 months or more, that is extremely low.

What I am saying is, it does work. To require States to go through a court procedure and take all of that time to routinely run the cases through, takes up court time, and nobody is providing dollars for that court time. It is counterproductive in my judgment and it is a lot of unnecessary paperwork. We have demonstrated what can be done in the permanent planning project when we took 506 children that had been in foster care over 1 year, and were successful in returning either to their own home or permanent adoptive homes, 76 percent.

We are not done yet. The reason I have to seal it off at 76 percent, frankly, is that we are still working with some of those children. On the subsidy payments, we have a subsidy program in Oregon totally financed by the State of Oregon, and I think it is important for you to realize this, our average cost is $98 a month in subsidy. We only subsidize very difficult, hard to place children, and the reason, apart from humanitarian reasons, the reason we are State operated is that the cost to the State of Oregon for that subsidy is less than the State match to put them into any other type of care.

As a result, it is simply cheaper for us.

We extended it again this year. The subsidy is important, however, because we are placing them with basically blue collar workers, families with incomes of $9,100 a year and have 2.5 children in their own right. It is simply a case that they cannot do it without help.

As far as the 6-month provision in searching out an appropriate adoptive home, in that the foster care families are our greatest placement source, naturally, for placements to mandate an additional 6 months of study is counterproductive.

Thank you very much, Mr. Chairman. I will answer questions later.

Senator MOYNIHAN. Thank you very much.

You say that the average family with which you place persons in Oregon has an income of $9,100?

Mr. PEET. Yes.

Senator MOYNIHAN. I calculate New York City spends $13,726 per year per child.

Ms. PARRY. That is the maximum; we have changed.

Senator MOYNIHAN. What is the average?

Ms. PARRY. You divide it by 28,000.

Senator MOYNIHAN. $280 million by 28,000; $10,000.

Your cost per child is more than the family income of people who have 2.5 children.

Ms. PARRY. That is correct, including education service, mental health and everything.

Senator MOYNIHAN. Now we will turn to Ms. Sabol.

STATEMENT OF BARBARA SABOL, DIRECTOR, KANSAS DIVISION CHILDREN AND YOUTH

Ms. SABOL. Thank you, Mr. Chairman and Senator Dole. I want to reinforce the remarks that my colleagues have made. Before I do that, let me give you a few facts about Kansas children. Oftentimes we seem to perceive problems, as described by Ms. Parry, as big city, New York, problems. Let me give you a few statistics about Kansas.

In fiscal year 1974, reported to the State agency were 3,786 cases of child abuse and neglect. In fiscal year 1977 there are 8,456 cases. That represents a 56-percent increase in reported cases of suspected child abuse and neglect.

In 1970, there were 7,682 reported juvenile arrests for major crimes. In 1974, there were 9,444, for an increase of 32 percent.

In the school year 1974 to 1975 there were approximately 32,000 youngsters who graduated from high school. However, in that same school year, almost 7,000 youngsters dropped out, physically dropped out. This does not include the children who were in school and who may have dropped out in other ways.

When I talk about these few statistics related to Kansas, I am not just talking about poor families and minority families. There are 105 counties in Kansas and there are only 2 counties where there was not a report of suspected child abuse and neglect.

Now, let me give you some specific issues relative to foster care and child welfare systems. I think one of the things that needs to be clear is that the States do not recruit children for foster care. In Kansas, 96 percent of the children currently in foster care are there as a result of the judicial determination that the child should be removed from his own home.

The administration has proposed, as I understand it, a new title, title IV-E, which, in some ways, would broaden the foster care program. They have also proposed that there be a ceiling on the foster care program.

I would simply say to you that if these AFDC children could have remained in their own homes would have been eligible for payment, however, why do we punish these children simply because there is some crisis in their family and they must be removed with this artificial ceiling.

Many of the children who are coming into foster care are coming in as a function of increased public awareness of child abuse and neglect. Some of the other factors that Ms. Parry mentioned, economic factors, at this very time in our State, we have an interim committee studying our juvenile code. That could well have an impact on our foster care systems.

We recently looked at foster care cases that were closed and in that analysis, 50 percent of the sample cases, there were 117 sample cases, 50 percent of them were closed within 1 year. This is a high percent.

When we went back and looked very carefully at these cases, it indicated to us that 33 percent of that 50 percent would not have had to be removed from their own homes had in-home services been available—homemaker services, counseling services, family therapy services.

This reinforces the importance to the State of having a mechanism for providing preventive services. Foster care should be the last alternative, not the first alternative.

Now, one of the other things that I would like to speak very specifically to is the proposal in H.R. 7200 which would allow Federal financial participation in public facilities serving 25 children or less. This is a sound proposal, and is sorely needed.

There are some children, because of their multiple problems, who need a kind of residential treatment facility that oftentimes is not available in the private sector.

For the 25 beds—I am not sure that is a magic number, but it seems to be a suitable one, and I think that needs to be considered. If you start talking about a lesser number of children, you are talking about increased administrative costs. The kinds of children that go into these kinds of facilities need specialized treatment.

They oftentimes need education. They oftentimes need psychiatric support services.

For every one small facility that you would have to have, you would have to duplicate that administrative cost, et cetera.

With regard to adoption subsidy, Kansas again is one of those States with an adoption subsidy program. In Kansas, the average cost of maintaining a child in an adoptive home with an adoption subsidy is $126 per month. This you can compare to a family foster home in which the average cost is $260 per month.

The Kansas criteria as such is that no child in an adoption subsidy can receive more in an adoption subsidy than would be paid for that child in foster care.

One of the issues lost in the administration's proposal is that adoption subsidy is a program for children with special needs. The Kansas program is not a mechanism to allow poor people to adopt. Its real purpose is to make possible the adoption of special needs children, regardless of the family income.

Let me give you a couple of examples. There were four black children, siblings, that had been in foster care for over 2 years. These children were placed with a black family that had no children and had an income of $14,600.

If you can imagine, for a moment, taking four children into your family and the impact this would have on the family budget, it would not have been possible for these children to go into an adoptive placement as a sibling group had it not been for the adoption subsidy program.

The cost of foster care would very far have exceeded the cost of adoption. Because of its potential to facilitate permanent homes for children, adoption subsidy, shall be included as an authorized ex-

penditure under Title IV-B and as a part of foster care maintenance program it should not be subject to a ceiling.

This would not serve the best interests of the child, nor is it fiscally sound.

Let me give you another example of an adoption subsidy at work. This is a fictitious name I have made up—Mary Anne. This is a child who was born with a serious handicap. She was rushed to an urban center for care. After extensive treatment, she was placed in a crib care home after relinquishment by her mother. She stayed there for several years, allegedly retarded, and she was bedfast.

This child was adopted at age 3 with the assistance of an adoption subsidy. The adoptive family was aware of her prognosis—she would not walk and she would learn very little.

Even with the existence of the medicaid expenses associated with Mary Anne care, it would have been prohibitive for this family because of the transportation needs, the special appliances, the special instruction and special care, and her continued transportation for medical services in an urban medical center.

Then you can ask the question, was it worth it? Today, this same child walks with braces and attends regular public school.

My colleagues have not spoken to this. I would like to mention very briefly title XX.

Kansas, like other States, has reached its title XX ceiling, so we urge the additional $200 million for title XX additionally would request your consideration for an ongoing cost of living increase in title XX.

We constantly find ourselves in Kansas in this position. Each year, our title XX ceiling goes down. We constantly find ourselves in the position of cutting back on services every year.

So I urge your consideration of this in terms of its impact on the social services that are delivered.

In summary, I recommend the full and immediate funding of title IV-B as an entitlement program; the increase in the title XX ceiling; and would encourage you to reconsider the administration's proposal for an income test relative to adoption subsidy.

The client in an adoption subsidy is a child, a child with special needs whom we are trying to get in a permanent home in a permanent family.

If it comes about that the income test must be used, we would urge you to consider that the handicapped child must be exempt from this.

With those comments, I will stop and we will be happy to respond to any questions.

Senator MOYNIHAN. Do you associate yourself with your colleagues on exclusion of court review?

Ms. SABOL. Yes.

Senator MOYNIHAN. Fine.

Senator Dole?

Senator DOLE. I do not quarrel with the testimony. Everybody comes in and asks for full funding or no ceiling and more money. Have you ever thought about ways we could save money in the programs, say title XX, in addition to asking for the extra $200 million? Is there any evidence you could give us on ways you could save money?

You are experts in the field. Every witness—including the witness from Oregon, of course, has indicated that we want more money. That is true with anyone, whether it is farmers or your representatives. There are indications that we have run out.

As a member of the Budget Committee I can tell you that there are going to be some very searching questoins asked about a lot of programs. We need your help, from the other side of the coin.

I will not take the time now, but it seems to me that that is a point that is never addressed by witnesses. It is always a question of more, no ceilings and no limitations and never any information on how we, as a Congress, might better respond to create more efficient programs.

Ms. SABOL. As it relates to title XX, I was not suggesting that the ceiling be eliminated, just that it be increased with some consideration to a cost-of-living increase. In our State we are working very hard towards cost containments. We have maximums on rates per day that we will pay for services.

On the title IX-B ceiling, I think it is very important that on the foster care maintenance program there not be a ceiling at this particular time. If it is funded, we will just begin to implement the preventive services.

You do not see a result from preventive services the day after you begin them. It takes some time.

With the adoption subsidy, you will see an immediate and real result.

Senator DOLE. With the adoption subsidy, there is a limit on savings? Do not misunderstand me. We are not trying to develop a big subsidy program for adoptions as an economy move, are we?

Ms. SABOL. No.

Senator DOLE. The witness from Oregon indicated that we would save more money if these children are adopted, and the is a special incentive, if you take the handicapped child. I would hate to think that the adoption was based on that premise alone. That is no reason to farm out these children, because we can save $100 a month.

Mr. PEET. We do not subsidize a normal adoptive placement at all.

One of the ways of saving money at the present time, and you constantly have stressed the need for money and how much will this cost, and so forth, but if you look at foster care, as long as that child is in a regular foster care placement, you are paying full medical title XIV plus his maintenance plus his services.

If you were to place him into an adoptive home and this child is not a normal child, he is a difficult child, and just made it possible to maintain his title XIV that you are going to pay anyway, because we have to, many families will take the child with a high medical bill that they know there is going to be some way to take care of it.

If they decline and we maintain the child until his majority, we are going to pay it anyway, plus all of the other. It is kind of like the food stamp issue you brought up. That is the one program where you can give people immediate help without giving them the whole array. That is not the reason we go into adoption subsidy, but it is a significant cost saving.

You asked about other ways. Certainly the mandated court review is a time-consuming, extremely extensive bit of paperwork. I have over 1,000 children who are not being paid by the Federal Government because we do not take them through the court review process.

If I did, the Federal Government would pay that. We get kids from stable families, child abuse, but they will work with us and the child, so we do not go through the court procedure. We have a whole array—if you want them, I have here the types of volunteers that we take. You can save money there.

The Federal interagency day care center. The costs are so high on that standard. The only people who can maintain it in Oregon are those that someone else is paying the bill. We have 16,000 children in day care, 4,800 of them are being subsidized. There has not been any increase in title XX, except for last year, since 1971.

Senator DOLE. What about adoption subsidies. Are they phased out in all three States? I should know about Kansas, but do not. Is it a permanent subsidy?

Senator MOYNIHAN. The chairman did not know about 40 of the 50 States. This is all news to us.

Ms. PARRY. Actually, there are 43 States.

Senator DOLE. Is that permanent subsidy until the age of majority? Is that how it works?

Ms. SABOL. The age of majority is the maximum. It does not mean that every child gets the subsidy until age of majority. If the family income changes substantially, if the child's condition changes substantially—each case is reviewed, just as we do in foster care. We review that case every 6 months.

Mr. PEET. Ours are reviewed also. We obligate ourselves to the majority contingent upon the legislated, appropriated money. The needs change.

Senator DOLE. I assume the same thing is true of New York.

Ms. PARRY. I would like to respond quickly to your question about what are we doing about saving money. There are a lot of trade-offs implied in 7200. I think that ought to be clear to you.

If we put some more money into prevention, we save money in foster care. We also should have some title XX money used for administrative purposes and services in foster care.

If we have more children into adoption, we save money on foster care. It goes together as a package. You will see that if you allow us to impact upon the major expenditure item, which is foster care. You will begin to see the savings there that can be implied towards increasing some of the other service needs.

Senator DOLE. I am not quarreling with the witness. I just raise the point that in every committee, particularly the Budget Committee—questions are asked about how to conserve monies.

Many of these cases stem from child abuse. That is presently very interesting area. We are finding many TV documentaries and studies and reports, some studies that may or may not be accurate. I guess, in a general way, you are suggesting through these programs we are at least getting to some of the problems, but apparently a pretty minor part in the State of Kansas, where 96 percent are proceeding.

I assume that these are only the most severe cases.

Ms. SABOL. Let me clarify a moment. Of the children who are in foster care, 96 percent have gone through a judicial proceeding, but this could be from abuse and neglect, from delinquency. So it is not all abuse-neglect.

This does not account for all the abuse-neglect, because all the abuse and neglect of children do not get referred to the court. It could be in a particular case you can work with the family.

Senator DOLE. We do not have any opportunity here to address abuse and neglect. It is a problem on which I know other committees have held hearings.

I asume that care of these children is one plus of this type of legislation that needs to be pointed out.

Ms. SABOL. Indirectly it will be addressing many of the preventive services that we are talking about, will impact on abuse and neglect activity.

If you are able to identify the high risk family and provide preventive services before something actually happens, in that way you will be impacting on this whole phenomenon of child abuse and neglect.

Mr. PEET. You are also impacting on it. We provide those services even after the abuse, in that if you can go in and work with the family to overcome whatever it was that instigated the abuse in the first place—for example, emotional tensions, medical needs, unemployment, they just cannot stand the emotional trauma of a very difficult job—you address those, you keep that child in that family unit, you overcome the problems with the parents, so you do not remove them and run into foster care. That is what I was getting at when I said it was so important to provide services first, so foster care is only the treatment of last resort. Use your cheap ones first.

Senator DOLE. Thank you.

Senator MOYNIHAN. Thank you, Senator.

I would like to ask two questions if I may, quickly.

Mr. Peet, I want to hear again, because the chairman of our committee, Senator Long, has been subjected to what might be described as not altogether friendly comments because of his concern about the cost of the Federal standards in day care.

Would you say again what you said to us, sir? Did I hear you correctly, sir, when you said that Oregon cannot afford them?

Mr. PEET. There are 16,000 children in day care in Oregon. 4,850 are served in centers that are Federally certified.

The legislature, in an attempt, this last session—it just adjourned this month—to overcome that problem, substituted total state dollars for all Federal dollars in day care. We have no Federal dollars now in day care.

We still cannot move away from it, because if you train any day care workers with title XX day care money it can only be done in a center that does, in fact, meet those standards.

Senator MOYNIHAN. I do not associate Oregon with backwardness and primitive, repressive practices. How come you, nonetheless, are reversed so? Maybe the Federal Government is wrong.

Mr. PEET. The legislature expected that issue when it voted to move off Federal funding. We feel that the money we are spending,

if we were to have a way to move away from that, could be used to add 1,000 children to day care without increasing costs.

Senator MOYNIHAN. I believe you. I thank you for that.

I think it is the case that the chairman of our committee has been abused, because he was skeptical of these matters. Here comes an official from one of the most progressive States we have. One would be so lucky to live one's life in Oregon. And you find these things absurd.

I would like to ask Ms. Parry a question, because we have, in a sense, received conflicting testimony—and this is, why you should not be in favor of judicial review.

Incidentally, I want to correct a mistake that I made, or we made perhaps together. The number of people that you are responsible for is 29,000. You divide that into 2,800 and you get an average cost of $9,655. In Orgeon, the average family income of persons with whom adoptive children are placed is $9,100 and they have 2.5 children.

Ms. PARRY. Comptroller Goldin's study on foster care in New York City is highly critical of the agencies concerned with foster care in the city. The study concludes that these agencies have done poorly in either reuniting families or in placing children with adoptive families, despite a set caseload per caseworker, despite State requirements, despite state adoption subsidies to expedite the savings that would take place.

Do you have an answer to the study's conclusion?

We have had the Comptroller of the City of New York come in and say that it is a mess up there, nothing is working. We find you are spending four times the national average. We find that there is a tremendous relation to Oregon—an adopting family earns as much as what you are spending per child.

This here committee has the responsibility to say, if New York already has the requirements in the programs of the type that H.R. 7200 would provide, why should we expect the enactment of the bill to make a difference to New York—for that matter, to the Nation?

Ms. PARRY. New York does not already have the programs and services that 7200 would provide. We have some of the protections. We have the court reviews, for example. We have accountability systems.

We do not have adequate preventive services to keep children out of care. We do not have adequate services to help get families reunited.

The report focused on foster care agencies. The job is aimed at foster care itself. They have never been agencies that have been oriented to do family services, family prevention, restoring families. Only recently oriented toward adoption.

I have to say to you that the services are not there, and I have discussed this with the staff who said to me, if you get more money, what are you going to do with the money?

I said, I am not necessarily going to put it in the same places the rest of the money is going to. Mr. Goldin suggested, for example, that we set up a centralized adoption recruitment service for the entire city of New York.

I told him in response that I would love to do it; it will cost $1 million. That is the kind of thing that we would use this money for.

Senator MOYNIHAN. I am sure you would. I think we have a certain conflict in the testimony from New York. We will get a third view tomorrow when Mayor Beame appears.

I would like to thank you also very much for coming. You have told us a lot.

It is very difficult for you, but very educational for us.

[The prepared statements of the preceding panel follow. Oral testimony continues on p. 265.]

PREPARED STATEMENT OF CAROL J. PARRY, ASSISTANT COMMISSIONER, SPECIAL SERVICES FOR CHILDREN, NEW YORK CITY DEPARTMENT OF SOCIAL SERVICES

Mr. Chairman, distinguished members of the Subcommittee, staff, ladies and gentlemen, I am particularly grateful for the opportunity to testify before you and to express my views concerning legislation on foster care and adoption that is currently under consideration by your Subcommittee.

In New York City, Special Services for Children, within the Human Resource Administration, is the agency responsible for providing an array of services, including protective services, preventive services, foster care and adoption to thousands of children and their families. As Assistant Commissioner, with the responsibility for administering Special Services for Children, I am charged by state law with the primary responsibility for the investigation and provision of interventive protective services in cases involving suspected child abuse and neglect. My agency receives over 25,000 reports of alleged abuse and neglect annually. We have the largest single foster care program in the country. We have 28,000 children in care on any day of the week and about 40,000 children in care over the course of the year.

THE PROBLEMS OF FOSTER CARE

The numbers of children receiving foster care services in New York City has doubled in the last 25 years (14,182 children were in care in 1950 and 29,330 children in 1976). What is even more important are the changes in the types and characteristics of children coming into care.

We are witnessing a startling phenomenon in the child welfare system in New York City today. This system of services has traditionally cared for the younger, relatively untroubled, dependent and neglected children of our city. In 1960, 70% of the children entering foster care were under the age of twelve. In 1976 this figure had dropped to 56%. To translate this into actual numbers, in 1960, 5,585 children in placement were 12 years of age or older. In 1976, this figure had risen to 12,541 children. Moreover, about 25% of the total from all age groups are emotionally disturbed, mentally retarded, physically handicapped or constitute a management problem in terms of their behavior. The projections are that the number of such children will continue to increase. Further indication of the increasing problems exhibited by children is the delinquency rate. In New York City, 7,264 children were adjudicated juvenile delinquents in 1976. Many of these children come from broken families that could be helped by adequate child welfare services.

I should add that these trends in foster care are not indigenous to just New York City but are characteristic of the problems that all states and localities face.

The House of Representatives has considered and passed H.R. 7200, a bill which has among its provisions a major overhaul of the foster care system. I would now like to discuss some of the provisions of this legislation.

TITLE IV-B—SERVICES AIMED AT PREVENTING AND SHORTENING TIME IN FOSTER CARE

It must be stated that not all children can be prevented from entering foster care. In fact, recent statistics show that in most States between 80-90% of all children in foster care come into the system as a result of a finding of abuse or neglect, or as a delinquent or person in need of supervision. All of these children required foster care at least temporarily.

One of the positive features of H.R. 7200 is that money will be available for services aimed at both preventing the need for foster care and at returning home as quickly as possible children who must enter care. The funds will come from the full funding of Title IV-B. It should be noted that there is currently no way to fund these kinds of services. Anyone familiar with the realities of Title XX knows that those funds cannot be used. By fully funding Title IV-B and by mandating family reunification services, Congress will assure that these much needed services are provided.

As the recent audit by the New York City Comptroller's office readily showed, children remain in care too long. The mean years in care of New York City children is 5.7 years (nationally, this figure is over 3 years). Statistics show that the longer a child remains in care the less likely he is to be discharged to his parents or relatives. In New York City for the twelve month period ending March 31, 1977, 22% of the children who were in care for under two years were returned to their parents or relatives. This figure declines to only 10% for children who had been in care for two to five years and drops further to only 5% for those children who had been in care for six to nine yaers. The statistics quite conclusively indicate that the longer a child remains in care, the less likely he is to return home.

The demonstration preventive service programs which were recently conducted in New York State and which were evaluated by the Child Welfare League of America showed that intensive services could considerably shorten the period of time that a child spends in foster care. Nearly 50% of the children in the demonstration programs who were in foster care were returned home by the projects' end when intensive services were provided. The types of services that were provided to both parents and children ranged from counseling, medical and psychiatric services, and housing and financial assistance to educational and vocational training.

Providing services to shorten the length of time a child remains in foster care is not only beneficial from a social point of view but is also cost effective. The average cost of foster care in New York is about $8,000 per child. The actual cost depends on the type of care provided. Institutional care can cost between $15,000 and $20,000/child/year. Care provided in a group home cost costs about $13,500/child/year, and care provided in a foster family home costs about $5,000/child/year. When you add on the costs of medicaid, as each child in foster care regardless of income is medicaid eligible, then you can see that services aimed at keeping children out of the foster care system will be less costly in the long run.

As the Child Welfare League of America's evaluation of the demonstration preventive services programs showed: "If as large a portion of the children in the experimental group, as in the control group, had been in foster care at the projects end, the costs of care for the additional children until their discharge 3.9 years later would amount to further expenditure of $1.8 million."

It should be noted that the demonstration programs were provided in only a few areas of the State and to no more than 600 children. If these services were able to be provided to more children on a State-wide basis, the savings involved would be far greater.

In addition, with a decrease in the number of children in foster care there would be a concurrent decrease in the amount of money expended under Title XX for administrative services, such as personnel, which are currently necessary to administer the foster care system. These savings in Title XX monies could than be used to fund new and additional services.

JUDICIAL DETERMINATION

Currently we get the major part of our foster care money through Title IV-A, Section 408, the public assistance funds available to children that are receiving AFDC or eligible for AFDC. That means that when children are voluntarily placed by their parents we must go to court, get a judicial determination that a child cannot be cared for adequately by his or her parents and spend inordinate amounts of time in court, wasting the court's time, that of judges who should be dealing with juvenile delinquency, with getting children adopted, for doing essentially paper reviews and rubberstamping decisions that parents have made with social workers (in New York, the Court approved over 90% of all voluntary placements).

The social workers, on the other hand, who are involved in the initial judicial review process are spending about 40 percent of their time in court, about 25 percent of their time on eligibility determination and if we are lucky, about 35 percent of their time trying to service people. All of this has been constructed simply to get that IV-A money for the States and localities. As determined by a detailed time and motion study conducted by New York City, the cost of going through this needless court determination is nearly $1 million annually.

H.R. 7200 eliminates the need for a judicial determination as it applies to children who are voluntarily placed in foster care. This bill creates additional safeguards in that Social Service districts must demonstrate that preventive services were offered to the family prior to a voluntary placement.

18-MONTH REVIEW

This legislation also mandates, as is currently provided for by New York State, an eighteen month review by a court or an administrative body appointed by a court. A hearing, at which all interested parties would have the right to attend, would be held to determine whether the child should be returned home, continued in care or freed for adoption. I strongly support the provision.

6-MONTH REVIEW

In addition to the above mentioned safeguards, H.R. 7200 provides for an "impartial review of each case plan by an experienced and objective person not directly involved in the provision of services to the family . . . no less frequently than once every six months . . ."

This has been interpreted, however, to mean that it is not just an impartial review on papers that is required but rather a full fledged hearing with both the parent and child eligible to be in attendance either by themselves or with representation. (This interpretation is extremely likely, especially in light of the language of the House Report on H.R. 7200 that refers to it as a hearing).

I would strongly oppose this approach as it would be extremely time consuming, costly and unnecessary in light of the provision for an eighteen month review of the status of children in foster care. I will propose later on in my testimony an alternative to those who would reinstitute the requirement for a judicial determination for children who are voluntarily placed in foster care.

FUNDING FOR PUBLICLY OPERATED FACILITIES

Another part of H.R. 7200 which I strongly support is Section 502 which will now provide for federal financial participation for foster care provided in "a publicly operated child care institution which services no more than 25 resident children."

Currently, if I, as the Commissioner of a *public* agency, wanted to operate a group home for 10 children I could not get any federal reimbursement under Section 408 (we do, in fact, operate some group homes and residential treatment centers for which we get no federal money). If we are serious about deinstitutionalization of children, this provision for federal funding of small community based public facilities is essential.

This legislation will correct what I have long considered to be a gross discrimination against *publicly* operated services for children.

ADOPTION SUBSIDIES

Foster care should be a temporary plan for a child. The service objective, once a child enters care, should be permanency and by permanency I mean either the speedy return of the child to his natural family or where return to the natural home is inappropriate, all efforts should be made to have the child adopted.

There are now 43 states that have adoption subsidy programs and all are doing it without any federal money. The average cost of an adoption subsidy in New York is $2,000 per child per year. When you consider the average cost of foster care, there is a savings of almost $6,000 per child per year. For our 5,000 children who we feel are adoptable, the provision of federal subsidy could save the federal government $11 million.

Statistics show that the program has in fact increased the number of adoptions in New York State since the subsidy law was enacted in 1968. The figures

for the years 1969 to 1971 show that statewide, there were 529 subsidized adoptions or 8% of the total adoption of children in the care of social services officials. For 1972 alone, this figure was 467 subsidized adoptions or 15% of the total number of children adopted under the care of social services officials. In 1976, 73% of the total adoptions in New York City were with subsidy as compared to only 40% in 1973. The following figures for New York City bear out the effectiveness of this program

	1973	1974	1975	1976
Number of legal adoptions of children approved for subsidized homes	328	480	561	804
Total number of legal adoptions (free and subsidized)	807	886	1,106	1,094
Percent of total adoptions that are with subsidy	40	54	50	73

Th's trend indicated above will continue. This is borne out by statistics concerning the number of children awaiting legal adoption:

	1973	1974	1975	1976
Number of children in subsidized homes awaiting legal adoption	398	614	857	936
Number of children in free adoptive homes awaiting legal adoption	916	776	464	359

As these figures indicate, the adoptive subsidy program is enabling many more children to enjoy the benefits of a permanent home. When one considers that there is a $6,000 savings per child in the difference between providing an adoption subsidy and what is the average cost of foster care, the cost effectiveness of this program is obvious.

H.R. 7200 is extremely beneficial not only because it will provide funds for subsidy expenditures that are currently borne by states and localities, but also because it will provide for and free-up additional funds for adoption workers and services aimed at freeing children for adoption. This will permit more and more children to be adopted and to attain the benefits of a stable and permanent home, at a considerable savings to all levels of government.

However, there is a problem with a provision of the adoption subsidy program in that it does not provide any incentives to states. States that now provide an adopion subsidy payment do so until the child reaches the age of majority. The provisions now would limit the duration of subsidy to either the length of time a child was in foster care or one year, whichever is longer. From our discussions with other states, it was strongly felt that the administrative burden involved in implementing a program whose duration could be for one year only was so great as to raise very serious questions as to the effectiveness of this program.

H.R. 7200 includes a number of important provisions which I feel will go a long way to reforming the foster care system in this country.

ADMINISTRATION'S PROPOSALS

I have recently learned of the administration's proposals concerning reforms in the foster care system. It is highly commendable that this administration is aware of and is attempting to remedy the problems inherent in the foster care system as it now exists. Their recognition of the need for the federal government to provide adoption subsidies will greatly assist states in securing permanent and stable homes for children who might otherwise languish in foster care.

There are, however, a number of provisions of the administration's proposals which must be looked at in light of H.R. 7200, which passed the House of Representatives, and analyzed for their real impact on the foster care system.

CEILING ON FOSTER CARE EXPENDITURE

The administration's proposal would create a new Title in the Social Security Act, Title IV-E, which would provide exclusively for foster care maintenance and adoption subsidy. Under this proposal, there would be a ceiling put on

foster care expenditures in 1980. The amount of the ceiling would be 10% above what was expended for foster care in 1979. In addition, there would be a 10% increase in the ceiling for each of the next five years (1981–1985).

As you are aware, federal reimbursement for foster care is conditioned on the fact that a child is eligible for AFDC. How does one reconcile the fact that under this proposal for a ceiling, if an AFDC eligible child remained in his home on public assistance there would be no ceiling on federal reimbursement but if this same AFDC eligible child was, for one reason or another removed from his home, then there would be a ceiling on the amount of money which the government would reimburse for his care? Are states to be penalized for providing one kind of care as opposed to another, particularly where foster care is often a last resort for many families? Is the federal government to be less generous with children and families in crisis situations than in situations where family life is stable?

Over the past ten to fifteen years, all states have passed legislation mandating the reporting of suspected children abuse and neglect.

Statistics indicate that there has been a steady rise in the number of reported cases of abuse and neglect. Congress is aware of and has acted on this problem with the passage of the Child Abuse Prevention and Treatment Act of 1974 (P.L. 93–247). There has also been an increase in the number of children who have required foster care. This increase is due to various factors including better reporting systems by the states for abuse and neglect cases, deinstitutionalization programs that states have undertaken in their mental health systems and general increases in the conditions that cause family breakdown, has been appropriated.

The proposal to put a ceiling on foster care expenditures raises the question as to how are states to then determine which children will receive foster care and which will not. At present, states bear the full cost of care for those children who do not meet the AFDC eligibility requirement. What I fear the effect of putting a ceiling on FFP for AFDC eligible children will be is that many children will remain in their homes in situations which are unsafe. My ultimate fear is that some children may needlessly be harmed or even die because states will be forced to administer a foster care program based not on the need of a child for this service but on the limited amount of money that has been appropriated.

Besides the above mentioned problems inherent with instituting any ceiling, this proposal would also have the effect, I fear, of having states push into foster care during this period of open-ended funding as many children as possible, disregarding attempts to prevent or shorten the period of time that a child spends in foster care.

Imposition of a ceiling naturally raises the question as to how will the limited funds be allocated. This question is an extremely important one and one that must be given serious thought in any attempt to limit the amount of money available for foster care.

There is also the problem that there are uncontrollable factors which could increase the number of children who enter care. Among these factors are increased birth rates, the economic situation and stronger juvenile justice legislation which many states are now considering.

The current ceiling on Title XX funds has proved a hardship on the provision of protective services (I recently testified on this subject before the Subcommittee on Children and Youth of the Senate Committee on Labor and Public Welfare). I strongly fear that any ceiling put on foster care funds would provide similar hardships to children and families.

PUBLIC INSTITUTIONS ELIGIBLE FOR FEDERAL REIMBURSEMENT

Under the administration's proposals, a public institution for which federal reimbursement for foster care will now be available is defined as facility for 16 or less children as opposed to the provision in H.R. 7200 which defined public institution as a facility for under 25 children. This reduced definition of a public institution while suitable for rural or suburban areas, is, however, extremely detrimental to states which have large urban areas, such as New York, where community based services are currently provided in facilities of up to 25 beds. The per capita costs of running a program with anything less than 25 beds are prohibitive in the major urban areas of this country.

REDUCED REIMBURSEMENT RATE FOR INSTSTUTIONAL CARE

Another provision of the administration's proposal is immediate reduced federal reimbursement for children in institutional care.

The government would only pay 80% of what they now pay for children in institutions.

While I strongly support the concept of deinstitutionalization, nevertheless I feel it must be undertaken in a rational and planned method. Time is needed to develop alternate systems of care. Smaller, community based facilities cannot be built overnight.

In New York City, it takes anywhere from one year to eighteen months to put a group home into operation. The procedures involved range from licensing and community approval to adherence to building code regulations.

We have closed a number of institutions in New York. It has been accomplished, however, in a planned manner so that children would not unnecessarily suffer. The effect of this proposal would be an immediate loss of $12 million to New York State and New York City.

Since, as I have mentioned, smaller facilities take time to put into opera tion, New York State and New York City will have to expend an additional $12 million in state and city tax levy funds to maintain current services in institutions. Because of this additional expense, it is extremely unlikely that any new programs will be developed. This proposal will therefore work in the opposite direction from what was intended.

In addition, not all institutions can be closed. Some of these facilities are treating severely handicapped and disturbed children who require this type of structured setting.

THREE MONTH REVIEW

Another of the administration's proposal would require a three month review of all voluntary placements by either a court or neutral administrative body. This is, in fact, similar to the judicial determination currently required under Section 408 of the Social Security Act.

If the purpose of this review is to monitor the case plan for the child, then it should be stressed that ninety days is a totally unrealistic period of time in which to determine the most appropriate plan. If, on the other hand, the intent of this review is to assure that states do not inappropriately take children away from their parents, then I would recommend that this legislation mandate what is currently the law in New York State.

Under Section 384-a of the New York State Social Services Law, parents who have voluntarily placed their children in foster care, have an automatic right of return of these children unless a social services official can prove in a court the potential for child abuse or neglect if the child was returned home. To me, this is the ultimate protection against the voluntary placement being "involuntary."

PROPOSALS FOR TITLE IV-B—SERVICES AIMED AT PREVENTING AND SHORTENING TIME IN FOSTER CARE

As I understand the Administration's position, the first year there would be an additional $63 million appropriated which will be 100% federally funded. This additional money is to be earmarked for building system and service capabilities, such as tracking systems and individual case review systems.

After the first year, an additional sum of money will be appropriated to bring this total amount of IV-B money to $266 million. However, this money will only be 75% federally reimburseable with the states now picking up 25% of the costs. It has been proposed that 40% of this amount must be for preventive and family restoration services.

States would not be eligible for the additional IV-B services monies unless they have put into place the first year requirements, including a tracking system. As our experience in New York City shows the systems that are being contemplated by the administration take well over a year to set-up. It is one thing to say that states should submit plans for these systems, it is an entirely different matter to say that these systems must be in place by one year or otherwise you will not be eligible for additional money aimed at providing services to prevent children from coming into care or for assisting in their speedy return to their home.

The types of monitoring systems that the administration is proposing that states implement are in fact services themselves and should not be classified as a separate entity. To condition payment of service money on the ability of states to implement difficult systems operations in one year is both short-sighted and unrealistic. The system must be viewed from a unified perspective.

It makes no sense conceptually to separate the direct provision of services from the monitoring or tracking of the service. Both are essential and both should be done at the same time. The proposal to fund first tracking systems, and later services implies that one must come before the other. This simply is not the case.

ADOPTION SUBSIDY

The administration is to be commended for its proposal to provide adoption subsidies until the child reaches the age of majority. However, under this proposal, adoption subsidies would only be available subject to an income test for prospective adoptive families.

Moving children into stable, permanent adoptive homes, at a considerable savings to all levels or government in foster care payments will now be condition on what HEW considers to be appropriate income eligibility levels for prospective adoptive parents. What will the income eligibility levels be? We have heard that the figure of 80% of state median income will be used, similar to that used for some services in Title XX. For New York State that figure, roughly $12,400, is less than what we now use in determining income eligibility for subsidy. If this approach must be taken, and I strongly urge that it not be, than a figure of at least 115% of the state median family income must be used.

The administration's proposal is to be commended for providing continued medicaid eligibility for children adopted with a prior diagnosed handicapped condition. In New York State, we now provide a maintenance as well as a medical subsidy (not federally reimbursed) for handicapped children. We find that this is essential to getting these children adopted.

Handicapped children require more than just medical services. They often require special services, such as a homemaker, special schooling and other non medical services. Unless the federal adoption subsidy program provides this type of flexibility, as is provided for in H.R. 7200, then I predict that many severely handicapped children will not be adopted.

There is no question that the foster care system needs reform. This is clearly recognizable by the passage of H.R. 7200 by the House of Representatives and by the proposals put forth by the administration. I feel that we need to look at both proposals and to come up with legislation that incorporates the best of each. I would therefore like to recommend for your consideration the following:

FUNDING FOR FOSTER CARE

As the administration has proposed, I would urge a new Title in the Social Security Act, Title IV-E, which would provide exclusively for foster care maintenance and adoption subsidy. These funds should be open-ended and not subject to a ceiling.

In addition, these funds should not be limited just to children who meet current public assistance eligibility requirements, but rather should be provided for all children who require foster care and whose parents cannot afford to pay the full cost of care.

There should also be written into this new Title those requirements, provided for in H.R. 7200, that states must meet in order to be able to claim federal reimbursement for foster care expenditures. These requirements include the documentation by states that preventive services have been offered to families.

18-MONTH REVIEW

I strongly support the requirement of an eighteen month review which would determine what the future status of children in foster care should be. As I have previously mentioned, this is currently the law in New York State.

I do have a concern, however, that there are currently AFDC eligible children in foster care who have been voluntarily placed but for whom there has been no judicial determination. States will not be able to claim FFP for these children by nature of the fact that they are in placement now. I would urge that AFDC eligible children now in placement who have not had a judicial determination be made eligible for federal reimbursement once they have had an eighteen month administrative or court review.

My proposal would force states that do not currently have a review procedure to establish this system as quickly as possible. This would enable these children who would otherwise not be subject to the requirements of this legislation to now enjoy its benefits such as a requirement for an individualized case plan and the provision of family reunification services.

In addition, my proposal would allow these children, who have been in care for a considerable period of time, to become eligible for federally assisted adoption subsidies. These children, who are older and hard to place, would most benefit from becoming eligible for adoption subsidies.

I understand that the Congressional Budget Office's estimate of the cost involved in H.R. 7200 in the elimination of the judical determination was based on a survey of states which determined how many children *currently* in the program were AFDC eligible but because there had been no judicial determination, were not receiving AFDC. What expenditures are involved in my proposal have already, in fact, been considered in the cost of the legislation.

6-MONTH REVIEW—RIGHT OF RETURN

I would recommend a sixth month review on papers of every child in foster care. This would be an impartial administrative review and not a full fledged hearing as is proposed in H.R. 7200.

I would further recommend that the federal government mandate states to provide written contractual agreements with parents who voluntarily place their children in foster care and that parents would have the automatic right of return of their children unless social services officials could prove in a court that return might result in abuse or neglect as defined in state laws.

FUNDING FOR PUBLICLY OPERATED FACILITIES

I would urge that the provisions of H.R. 7200 which provide for the availability of federal reimbursement for publicly operated facilities of less than 25 beds be retained. This will allow the major urban areas and particularly New York State to fund smaller community based facilities and thereby reduce their institutional populations. In recognition of the fact that many private nonprofit institutions are specialized care facilities for handicapped children, I would further urge that they be eligible for full federal reimbursement regardless of their size.

TITLE IV-B

The strategy that should be applied to the problem of foster care is twofold. First, money needs to be made available to states solely for the purpose of providing preventive, family restoration and adoption services. Currently, there is no man- to provide these services. Secondly, tracking systems need to be set up which would then be able to follow the progress of these preventive and rehabilitive programs. I cannot emphasize too strongly what I mentioned earlier. The system must be viewed from a unified perspective. It makes no sense conceptually to separate the direct provision of services from the monitoring or tracking of the service. Both are essential and both should be done at the same time. The proposal to fund first tracking systems, and later services implies that one must come before the other. This simply is not the case.

I would therefore recommend that Title IV-B be fully funded and made an entitlement as is provided for in H.R. 7200. This will provide a federal mandate to provide the types of cost-effective services that will enable children to return to a stable home.

ADOPTION SUBSIDIES

I strongly support the administration's proposal that adoption subsidies be available until a child reaches the age of majority. Without this provision, there can be no viable program.

However, I must oppose the proposal to make adoption subsidies subject to an income test for adoptive parents. In its place I would recommend the provision in H.R. 7200 which would have based the availability of subsidy on the needs of the child. Under this proposal, a child would qualify for subsidy because it has been determined that he is "hard to place because his ethnic background, race, color, language, age, physical, mental, emotional or medical handicaps, or membership in a sibbling group has made him difficult to place in an appropriate adoptive home."

As I have mentioned previously, children now entering foster care are older and more disturbed. The provisions of H.R. 7200 will enable the greatest number of these children to attain a permanent home.

In conclusion, I would like to thank the Subcommittee for allowing me to testify today. I stand ready to provide any assistance that I can in order that legislation can be arrived at that will provide for the best interest of our children.

PREPARED STATEMENT OF J. N. PEET, ADMINISTRATOR, CHILDREN'S SERVICES DIVISION, DEPARTMENT OF HUMAN RESOURCES, STATE OF OREGON

TESTIMONY REGARDING DHEW AMENDMENTS TO H.R. 7200

Last week Secretary Califano, DHEW, presented to the committee the Administration's proposal on certain provisions of HR 7200. While Oregon has not had the opportunity to review such material, we have received verbal information on that part of the proposal pertaining to child welfare services provisions. Within such limitations, we offer the following comments to his proposals:

1. Elimination of time limits for adoption subsidy

This proposal by the Administration is consistent with Oregon's suggested amendment to Section 503. We do not believe an artificial time limit will enhance our ability to locate prospective adoptive homes for children with special needs. This only serves as an incentive for foster parents, who constitute the vast majority who adopt such children, to continue receiving foster care payments. Enabling the states to use federal matching funds for subsidies until the child reaches majority or until the need no longer exists will result in a flexible program that will free up children more quickly for adoption into permanent homes based on their individual needs.

2. Title IV-E funding limitations for foster care maintenance and adoption subsidy payments, i.e., starting with the 1979 appropriation level (amount undetermined), a 10% increase each year from 1980 to 1985, at which point a ceiling will be established.

Oregon strenuously opposes the imposition of a ceiling, graduated or otherwise, on a state program that must, by law, maintain an open intake. In Oregon the Children's Services Division must accept any child placed in its custody by the juvenile court. If the court orders the child's removal from his own home, we must place him and pay for his care.

We believe appropriations for foster care maintenance should be consistent with states' projected needs and the estimated costs of such needs, and we know from our experience with a Title IV-A ceiling, inflation quickly erodes our service buying power.

Placing an appropriation ceiling on adoption subsidies is equally unrealistic and it would be contradictory to the Congressional intent of maximizing the ability of states to free "hard to place" children for adoption into permanent homes as rapidly as possible.

3. Judicial/Quasi-judicial review three months after voluntary placement

Oregon opposes a judicial/quasi judicial review, as we do not believe that it is necessary for a court to be involved in every placement regardless of the amount of time tre child is in custody of the sicial agency. We view this procedure as an unnecessary over-structuring of foster care programs.

In Oregon, parents who voluntarily place their children may take them back upon request. If the Children's Services Division believes such a move would be detrimental to the child, the agency must present its case before the juvenile court. We believe such procedures afford more than adequate protection to both the parent and the child.

4. Means test for adoptive parents to receive subsidy

Oregon opposes the proposal for the application of a "means" test for adoptive parents to receive a subsidy. Such a requirement would place too much of a "welfare" connotation on such adoptions, thus resulting in a disincentive to states in recruiting prospective adoptive parents.

If there is to be a "means" test, states should be allowed to set their own standards, requirements that would give maximum flexibility in meeting the needs of their children.

It should be noted that this proposal is in conflict with provisions of the DHEW publication, "Model States Adoption Subsidies Act," which states, "The philosophy of the text is that the needs of the child provide the basis for the subsidy. Therefore the financial ability of the family to meet the child's needs is not a condition for certification for the subsidy."

5. Prohibit use of Title IV-B funds for adoption subsidies

We understand the Administration has proposed that Title IV-B funds not be permitted for adoption subsidies to non-AFDC children. We strongly oppose this proposal and endorse provisions in HR 7200 which would permit states the option to include such a preventive service to children who are not AFDC. Eligibility for this service should not be restricted to any categirical program, for to do so is to exclude benefits to groups of children who are equally needful of permanence.

6. Title IV-B funding—$63 million (100% federal funds) increase first year, plus, granted increases (amount undertermined) over a five year period at a 75/25 match.

Oregon does not oppose a "phase-in" entitlement over a five year period as proposed by the Administration. This is consistent with the concept proposed in our suggested amendment to Section 401, which ties requirements of progressive improvements/expansion in servires with appropriations available.

From what we understand of the Administration's proposal regarding requirements on case information, case review and services to promote adoptions, Oregon currently has operational systems in all of these areas. So this provision creates no problem for us.

Regarding the 75/25 matching requirement, the amount of Oregon's State General Fund going into services far exceeds that required to match federal funds. If the intent of the proposal is to generate additional state money to match federal funds, Oregon would have deep concerns. However, if the intent is to allow states to use existing State General Fund dollars that exceed Federal matching requirements to match expanded IV-B funding, Oregon would not oppose this proposal.

Section 301—Increase in Ceiling on Federal Social Services Funding; Extension of Special Provisions Relating to Child Day Care Provisions.—Oregon supports the provision raising the statutory ceiling on Federal funds for Title XX and requiring $200 million to be used in fiscal year 1978 for day care services with no state matching requirement.

Assuming funding levels similar to last year, Oregon would receive approximately $2.14 million for the fiscal year ending September, 1978. There would be no state match required. However, subsequent to FY 1978, Oregon would have to match the federal funds (75/25) with general funds. To maintain the same inflow of federal dollars, the Oregon share would be approximately $713.000.

Oregon does recommend the inclusion of a maintenance of effort requirement based upon a state's current budget, rather than the last year's actual expenditures. This would enable states to use this money for further expansion and upgrading of service programs rather than for programs which are already projected in the budget.

Regarding the extension of special provisions relating to child day care provisions, Oregon recommends that states be allowed to develop/maintain state day care standards in lieu of the Federal Interagency Day Care Requirements. We are burdened by "skyrocketing" day care costs, 85% of which are attributed to personnel items. And these items are backed by stringent FIDCR standards.

We contacted a number of agency people in Washington, D.C., as well as all fifty states and the District of Columbia, in regard to the status of FIDCR compliance of staff/child ratio in facilities receiving Title XX monies.

We asked the following questions of the states

1. Does the state claim Title XX monies for day care services?

2. Do day care facilities receiving those monies meet the staff/child ratio of the FIDCR?

3. If not meeting the FIDCR, is the state using the waiver provision in P.L. 99.401?

The survey indicates that all fifty states and the District of Columbia are using Title XX funds for day care.

Twenty-eight states claim that the day care facilities are meeting the FIDCR staff/child ratio. Twenty three states are operating with the 94.401 waiver

option, either for all facilities or some portion of their facilities. Other states expressed the belief that the FIDCR had been "suspended" and are operating below standard on that basis.

It should be noted that this survey speaks only to staff/child ratio. The general consensus of the poll indicates that probably no states meet every aspect of the FIDCR, remembering that the FIDCR includes numbers of services and administrative requirements. Oregon has provided the Committee with suggested amendments to address these issues.

Under existing Federal law states which met the FIDCR's staffing ratio on September, 1975 must continue at that level. Oregon proposes this be amended to permit these states to adopt statewide standards as an alternative.

Section 401—Amendments to Child Welfare Services Provisions.—Oregon supports the provisions of this section. They represent welcomed safeguards to us in utilizing IV-B funds to better serve our child welfare service clientele.

Oregon plans to fully utilize its share of the $266 million appropriation in the first year to expand the scope and recipients of available child welfare services. Examples of possible use of additional IV-B funds are:

A. Special time-limited projects with evaluation components could be developed to identify methodologies and support systems most effective for delivery of services to target groups for purposes of statewide application:

1. Development and evaluation of parent education training content, delivery methods and effectiveness in serving target groups.

2. Case review/facilitating project to develop and assess service methods and support services having favorable impact on services to families and children at intake and/or crisis for purposes of improving family functioning and preventing or interrupting foster care placement.

3. Development of alternatives to full-time foster care for predelinquent children living in their own homes by part day or part week foster care placement and other services focused on socialization of child support to parents.

B. Staffing positions approved by the legislature could be assigned as follows:

1. Specialists to assist staff in field support service development, case planning, case management, legal issues and staff training.

2. Field positions to provide direct services:

Homemakers to provide service in additional areas of the state

Specialized adoption recruitment for hard-to-place children

3. Program management development specialists for design, monitoring, technical assistance (Family Services, Day Care, Substitute Care)

4. Field Operational/program audit team

C. Purchased day care provided for therapeutic purposes to support treatment plans.

The sole objection Oregon has with this section has to do with the requirement of the States to progressively improve and expand child welfare services in future years without the assurance of increased IV-B funds with which to do so. As it now stands, this section leaves the state with a closed-end budget and an open-ended responsibility.

Also, it should be noted that inflation will progressively erode the service buying power of the $266 million, thus forcing the states to cut back on services, rather than expand and improve.

In summary, Oregon supports this section with the proviso that the requirement of states to progressively improve/expand child welfare services be commensurate with proportionate increases in IV-B appropriations. We have provided the Committee with suggested amendments to accomplish this.

If the purposes of the money are to be achieved, some way must be devised to avoid fund diversions. A possibility would be to require each state to develop a plan where it would outline the service expansions and expenditures contemplated with the additional funds. The actual allocation to be dependent upon DHEW approval being secured by each state through its DHEW regional office.

Section 402—Foster Care Protection.—Oregon fully supports the basic foster care protection concepts addressed by this section—the intent of its provisions are in keeping with our state's foster care goals, objectives and policies. Since 1973, Oregon's Children's Services Division has administered a stringent set of placement review policies whereby major planning decisions for any child, both prior to placement and at prescribed intervals during placement, are made by agency review teams. Under no circumstance is the decision to place a child a unilateral one. Our foster care population has decreased from 4,477 in 1971 to 1971 to 3,668 in 1976, and we strongly believe that our placement review procedures have played a major role in this reduction. For the 1977-79

biennium, Oregon is projecting to serve an even lesser number—3257 average daily population.

In its efforts to plan responsibly for children in foster care, it should be noted that the Children's Services Division recently completed a three year Permanent Planning Project. In the project 2243 foster child cases were screened for need of permanent planning. Of that number, 509 children were accepted. All of these children had to be in foster care for one year or more and judged not likely to return home. To date, study results show that of 389 who have completed permanent plans 26% went home, 20% were adopted by new parents, 18% were adopted by foster parents, 6% were placed with relatives and 6% were to remain in long-term foster care. For the remaining 120 children, plans are in the process of being completed.

Oregon does object to the requirement of a dispositional hearing by a court or a court-appointed administrative body to determine the treatment plan for a child. We do not believe that it is necessary for a court to be involved in every placement regardless of the amount of time the child is in custody of the social agency. We believe this constitutes an unnecessary over-structuring of foster care programs. The bill could adequately accomplish the purpose here by mandating the states to build stringent administrative policies and proceures for placement reviews and dispositions. We believe that Oregon's practices serve as an example of the capability of state agencies to police themselves to achieve adequate foster care protections.

Suggested amendments to address this issue have been provided to the Committee.

Section 501—Federal Payments for Dependent Children Voluntarily Placed in Foster Care.—Oregon fully supports this section. For those placements involving voluntary parental consent it is inappropriate (and sometimes detrimental) to require a judicial determination. An arbitrary judicial determination requirement to any and all cases is not only a waste of time for the courts and caseworkers involved but, far more importantly, places unnecessary stress on both the parents and children.

Also, this section will permit Oregon to use Federal AFDC matching funds to provide foster care for an AFDC child that, heretofor, had to be financed totally from State General Funds. Approximately 17% (554 children) of our foster care population are voluntary placements. Of those 554 children, approximately 228 would be eligible for federal AFDC funds.

Section 503—Adoption Subsidy Payments.—Oregon supports the requirement of states to include adoption subsidies as a part of their AFDC fosted care program. In our state, approximately 40% of those children in need of subsidy would be eligible for federal matching funds to help defray the state cost of such payments.

It should be noted that Oregon's recently completed Permanent Planning project showed that of 509 children accepted for the project, it was determined that 19 could be legally freed if there were some form of adoption subsidy available. Additional federal funds will enable us to better meet the needs of such children.

We do object to the time limits for receipt of subsidy payments. In Oregon the effect of this requirement will be that probably no more than 5% of foster parents who would adopt would be willing to accept the subsidy, and others would prefer to continue with foster care payments. Children in long-term foster care who need adoption most frequently live in homes of working class families where maintenance and special needs, if any, may be required beyond the length of the child's eligibility. The average income of 88 Oregon families presently receiving general funded subsidies is $9122. They have 2.5 children of their own.

This section also requires "diligent efforts" to locate adoptive families willing to adopt without the assistance of payments. For children in foster care who have developed ties with the foster parents and can be legally freed, the requirement to search six months for an adoptive home not requiring a subsidy is not productive.

Oregon has provided the Committee with suggested amendments to address these issues.

STATE OF OREGON, OFFICIAL TESTIMONY—HR 7200

The following represents the official testimony on House Bill 7200 by the State of Oregon. Oregon's position is stated for each section of the bill, and any amendments suggested are attached.

Section 101—Food Stamp Eligibility for Supplemental Security Income Recipients—Oregon fully supports. This section will allow the continuation of current program benefits to all SSI recipients.

Section 102—Attribution of Parent's Income and Resources to Children.—Oregon supports. It would provide additional support to disabled persons between ages 18 and 22 who are furthering their education, thereby, eventually becoming self-supporting.

Section 103—Modification of Requirement for Third-Party Payee.—Oregon would support this amendment as direct payment to these individuals is of therapeutic value in most rehabilitation programs.

Section 104—Continuation of Benefits for Individuals Hospitalized Outside the United States in Certain Cases.—Oregon would support this amendment because it allows continuing benefits to those individuals who are outside the United States due to emergent medical needs which are beyond their control.

Section 105—Exclusion of Certain Gifts and Inheritances from Income.—Oregon would support this amendment as it provides for more equitable treatment of recipients.

Section 106—Increased Payments for Presumptively Eligible Individuals.—Oregon would support this amendment. Liberalization of Social Security's cash advance policy for these individuals would be beneficial to the Supplemental Security Income client.

Section 107—Termination of Mandatory Minimum State Supplementation in Certain Cases.—Oregon supports. The intent is to permit termination of the mandatory minimum supplement if a case goes into suspense status rather than termination. Most cases which were converted to SSI no longer fall under the mandatory minimum supplementation requirement due to increases in SSI benefit amounts.

Section 108—Monthly Computation Period for Determination of Supplementary Security Income Benefits.—Oregon would actively support this amendment. This change will permit income to be deducted when it is received, rather than up to as many as three months later. Many overpayments and hardships for he recipient would be avoided.

Section 109—Eligibility of Individuals in Certain Medical Institutions.—Oregon would support this amendment due to the potential savings to the State.

Secton 110—Cost of Living Adjustments in Supplemental Security Income Payments to Individuals in Certain Institutions.—Oregon would support this section. This would be beneficial to the SSI client population in medical facilities as they would receive the same cost of living increase as other SSI eligibles.

Section 111—Exclusion from Income of Certain Assistance Based on Need.—Oregon would be supportive of this section. There are instances when an SSI check is delayed and without the assistance of a non-profit agency the client suffers.

Section 112—Exclusion of Certain Assistance Payments from Income.—Oregon would be supportive. Any overpayment charged to an SSI recipient because of housing subsidies could create undue hardship.

Section 113—Definition of Eligible Spouse.—Oregon would actively support this amandment due to the cost savings its passage would afford. Present policy provides for supplementing either member of separated eligible couples during the first six months if the income available to him/her is not as much as General Assistance standards.

Section 114—Coordination with Other Assistance Programs.—Oregon supports. Co-location of Adult and Family Services Division and SSI offices would seem feasible.

Section 115—Attribution of Sponsor's Income and Resources to Aliens.—Oregon cannot support this section, as there is presently no legal requirement that will force the sponsor to actually provide any financial support to the client. This would mean the legally admitted alien could have no income but would be ineligible for any SSI income or medical coverage.

Section 301—Increase in Ceiling on Federal Social Services Funding; Extension of Special Provisions Relating to Child Day Care Provisions.—Amendments attached.

Section 401—Amendments to Child Welfare Services Provisions.—Oregon supports with the proviso that the requirement of the States to progressively improve/expand child welfare services be commensurate with proportionate increases in IV-B appropriations.

Amendment attached.

Section 402—Foster Care Protection.—Amendments attached.

Section 428—Adoption Information System.—Oregon would support this section because such an adoption exchange can make available adoptive resources for children not only regionally but nation-wide, thus extending resources for the hard-to-place children.

We presently have a contract with Western Federation for Human Services, Boise, Idaho, for adoption exchange services for six northwest states. We would hope this resource could be utilized in carrying out the purposes of Section 428 as much of the training, policies and procedures have been completed and the exchange is functioning.

Section 501—Federal Payments for Dependent Children Voluntarily Placed in Foster Care.—Oregon fully supports this section. For those placements involving voluntary parental consent it is inappropriate (and sometimes detrimental) to require a judicial determination. An arbitrary judicial determination requirement to any and all cases is not only a waste of time for the courts and caseworkers involved but, far more importantly, places unnecessary stress on both the parents and children.

Also, this section will allow us to use Federal AFDC matching funds to provide foster care for an AFDC child that, heretofor, had to be financed totally from State General Funds.

Section 502—Federal Payment for Foster Home Care for Dependent Children in Certain Public Institutions.—No comment. Oregon not affected.

Section 503—Adoption Subsidy Payments.—Amendments attached.

Section 504—Child Support Enforcement.—Oregon does not support. The extension of the 75% matching HR 7200 creates many administrative problems, expenses and staff for *county governments*, because it adds a "needs" test for all applicants. The intent is to make the match available to only those households who have income less than twice the AFDC standard.

Section 505—Federal Financial Participation in Certain Restricted Payments Under AFDC Program.—The provision for direct payment to persons providing utilities or accommodations should be removed from HR 7200. Providing on request separate payments to landlords and/or utilities will be very costly to administer. Existing law allows the agency to provide vendor payments only when the AFDC client has demonstrated an inability to manage funds. Providing vendor payments on a request basis will create an increased administrative expense at no benefit to the client.

OREGON AMENDMENTS TO TITLE III SOCIAL SERVICES PROGRAM

Section 301

On Page 23, line 21, by striking the last quotation mark and adding an additional sentence to read: "States are required during the fiscal year ending September 30, 1978 to maintain child day care services at a level no lower than their service level budgeted for the fiscal year ending September 30, 1978, plus additional child day care funds appropriated under Section 301 of HR 7200."

Commentary

Inclusion of a maintenance effort requirement based upon the state's current budget, rather than the last year's actual expenditures, will enable states to use this money for further expansion and upgrading of service programs rather than for programs which are already projected in the budget.

On Page 23, line 24, by adding the following prior to the reference to 2002 (a)(9)(B): "Clause IV, Section 2002 (a)(9)(A)(ii) of the Social Security Act is amended by substituting the following: '(IV) Funds may be made available to a state under this title if such state either, a) maintains the Federal Interagency Day Care Requirements, or b) develops and maintains state day care standards in lieu of the Federal Interagency Day Care Requirement'."

Commentary

Authorization of FFP to states who develop and implement state day care standards in lieu of the Federal Interagency Day Care Requirements. Standards and day care rates could be developed to meet the individual needs of each state.

OREGON AMENDMENTS TO TITLE IV—CHILD WELFARE SERVICES PROGRAM

Section 401

On Page 27, line 19, after "enumerated in Section 425 and" insert, "within available IV-B funds,"

Commentary

Oregon will fully utilize its share of the $266 million appropriation in the first year to expand the scope and recipients of available child welfare services. Thereafter, it would not be possible to further expand and improve services as required by this section without additional IV-B funding. As it now stands, this section leaves the state with a closed-end budget and an open-ended responsibility.

Also, it should be noted that inflation will progressively erode the buying power of the $266 million, thus causing th estates to cut-back on services, rather than expand and improve.

OREGON AMENDMENTS TO TITLE IV—CHILD WELFARE SERVICES PROGRAM

Section 402

On Page 32, line 22—delete "adequate."

On Page 35, lines 11 and 12—delete "(which may be a court of competent jurisdiction)."

On Page 36, lines 15-16-17—delete "in a family or juvenile court or other court of competent jurisdiction, or by an administrative body appointed by the court."

On Page 36, line 15—add, following To be held, "by an impartial review team composed of three members not directly involved in the provision of services to the family appointed by the administration of the administering state agency.

Commentary

On Page 32, line 22—Adequate is not defined and leaves the measurement of preventive services to the decision of the Secretary in rules and regulations. The impact of the law will not change without this term.

On Page 35, lines 11 and 12—Do not need to involve the court in the review of each case plan. The purpose could be accomplished by mandating the states to maintain adequate administrative policies and procedures for placement reviews and dispositions. These requirements can be amplified through Federal rules and regulations.

OREGON AMENDMENTS TO TITLE V—AID TO FAMILIES WITH DEPENDENT CHILDREN

Section 503

On Page 45, line 1—Before the word "after" insert, "Except in situations where the best interest of the child would be served by adoption by the foster parents,"

Commentary

For children in foster care who have developed ties with the foster parents and can be legally freed, the requirement to search six months for an adoptive home not requiring a subsidy, is not productive.

On Page 45, line 23—After the word "made," delete the remainder of the sentence and insert in lieu thereof "until such child ceases to be a minor within the meaning of applicable State law or an annual review indicates that the need for such subsidy payments ceases to exist."

Commentary

Only 40% of Oregon children in need of adoption subsidy would be eligible under HR 7200. Because of the time-limited nature probably 5% of foster parents who would adopt would be willing to accept the subsidy, and others would prefer to continue with foster care payments. Children in long-term foster care who need adoption most frequently live in homes of working class families where maintenance and special needs, if any, may be required beyond the length of the child's eligibility. The average income of 33 Oregon families presently receiving general funded subsidies is $9122. They have 2.5 children of their own.

The needs of many children in foster care for permanency through adoption are wide and varied. A flexible subsidy program with broad eligibility base is necessary to develop individual plans to enable families with limited means to provide for some of these children.

A GUIDE ON THE USE OF THE CASELOAD STATUS REPORT

(1) The Caseload Status Report is intended to be a monthly aid to caseworkers, clerical staff and all other individuals who are required to know how case data has been recorded on computer files. Hopefully the report will serve as a valuable reference and also be used to make corrections to data that has been recorded incorrestly.

(2) What follows is a detailed explanation of each data field, what that data represents and how it can be used to the best advantage.

(a) The report is printed in alphabetical order by case name with a separate page for each caseload identification code.

(b) *Run Date* represents the date on which the report was printed.

'c) *Service Location* indicates the location in which the services were recorded.

(d) *Caseload ID* shows the caseworker(s) under which the services have been recorded.

'e) *Service Plans Recorded Since XX/XX/XX* is the beginning date of the report. The report lists all service plans that have been opened, changed or inactivated from this date through the aforementioned *Run Date*. All plans that were active prior to this date and are still active will also be listed. Any plans that are not listed on the report were inactivated prior to this date or did not reach the central office in time to be recorded.

(f) *Stat* indicates whether the primary recipient listed is now active or inactive. The primary recipient and other recipients can be inactivated by changing the status of objective code to a 4 or 6, or by closing the case.

(g) *Code Name* represents the name under which the case is registered. If only form 208 has been submitted the name entered on it will appear on the report. If form 207 has been submitted the name entered on it will appear on the report.

(h) *Case Number* and *SOD* indicate the case number and self check digit under which the case is registered.

(i) *Plan Members* shows the person letters of those members recorded on form 208 in the service location and for the caseload ID shown at the top of the report.

(j) *Primary Person Letter* represents the first member recorded as a primary recipient for the case. Subsequent members who are also recorded as primary recipients will be listed below the first one.

(k) *Eligibility Code* and *Date* indicate the date eligibility was established or redetermined and the applicable eligibility code that was entered on form 206. Submit form 206 to make any needed changes to these fields.

(l) *SVC* is the major service type shown and entered on form 208, e.g. 5= substitute care, 6=adoptions, etc. Any changes to this field must be made on form 208.

(m) *Next Review Date* represents the date the primary and other recipients for a plan are to be reviewed.

(n) *Review Due* shows the status of the review for the primary and associated other recipients. The determination of when a service plan requires a review is based on the *next review date* and its correlation to the *run date* of the report. What follows is an explanation of the codes that appear in the column.

(1) Blank indicates that the review is not due for at least 31 or more days past the *run date* of the report.

(2) 'X' indicates that the review is due within the 30 day period starting one day after the run date of the report.

(3) 'XX' indicates that the review is past due. This past due is based on any review date that is *prior* to the *run date* of report.

A review due will only be indicated for active service plans.

(o) *Case Members* shows the person letters of all members recorded on form 207, irreguardless of service location and case-load ID.

(p) *SVC LOC* shows the service location that is recorded on form 207 for this case. If form 207 has not been submitted, the location entered on form 206 will be shown. If neither 206 or 207 have been submitted the location entered on form 208 will be shown.

(r) *CWL ID* shows the caseload ID that is recorded on form 207 for this case. If form 207 has not been submitted, the caseload ID entered on form 208 will be shown.

STATE OF OREGON, CHILDREN'S SERVICES DIVISION, CASELOAD STATUS REPORT–1—ALL SERVICE PLANS OPENED/CLOSED/TRANSFERRED FROM APRIL 15, 1977 TO JUNE 15, 1977 AND ALL ACTIVE SERVICE PLANS

Activated/ Inactivated	Case No.	SCD	Plan members	Primary person letter	Eligibility Code	Eligibility Date due	Service program	Review Date due	Object	Legal status	Case members	Service location	CWIO
A	XPI476	1	ABCD	B	66	Apr. 14, 1977	4	July 1, 1977 X	11	4	ABCD	30	AA
				C	66	-----do-----	4	-----do----- X	09	4			
I	XPI317	7	ACE	D	66	-----do-----	4	-----do----- X	09	4			
				A	59		4		09	4	ABCDE	30	AA
				C	59		3		10	4			
A	XPI149	4	AB	E	59		3		10	---			
				A	67	Apr. 21, 1977	5	Jun. 1, 1977 XX	11	3	ABC	30	AA
A	XLB750	5	F	B	67	-----do-----	4	-----do----- XX	09	---			
A	XPI230	2	AD	F	92	Mar. 1, 1977	6	July 1, 1977 X	06	3	ABCDEFG	29	FB
A	XPI573	5	A	D	68	May 24, 1977	5	Aug. 24, 1977	15	3	ABCDE	30	AA
I	YPH550	3	ABDEF	A	92	June 6, 1977	5	May 1, 1977 XX	06	4	A	30	AF
				B	66		4		08	4	ABDEF	25	AJ
A	MVA047	5	F	E	66		4		08	3			
A	EQA183	1	C	F	92	Dec. 12, 1976 XX	5	July 1, 1977 X	17	3	ABFGH	30	AF
A	XPD608	4	AD	C	59	-----------	5	-----do----- X	17		ABCDEFGJ	25	AA
				A	66	Apr. 1, 1977	4	-----do----- X	09	4	AD	30	AA
A	XPI393	8	AC	D	66	-----do-----	5	-----do----- X	17	4			
				A	66	July 9, 1976 XX	4	June 1, 1977 XX	09	4	ABC	30	AA
I	ZIV081	7	EFG	C	66	-----do----- XX	4	-----do----- XX	11	3			
A	ZIV081	7	EF	G	66		4		11	---	ABCDEFG	30	AA
				E	66	May 13, 1977	4	July 1, 1977 X	11	---	ABCDEFG	30	AA
A	XPI045	4	AB	F	66	-----do-----	4	-----do----- X	11	---			
A	XPS108	7	A	A	66	Apr. 1, 1977	5	Aug. 1, 1977	13	3	AB	30	AA
A	YGA241	6	B	A	92	Jan. 1, 1977 X	5	-----do----- X	04	3	A	30	AF
A	XPC034	4	ABCEFG	B	59	Mar. 7, 1977	4	June 1, 1977 XX	09	4	ABCDEF	32	EM
				A	92	Mar. 10, 1977	3	-----do----- XX	09	4	ABCDEFG	30	AA
				B	92	-----do-----	3	-----do----- XX	09	4			
				C	92	-----do-----	3	-----do----- XX	09	4			
				E	92	-----do-----	3	-----do----- XX	09	4			

PORTLAND STATE UNIVERSITY,
REGIONAL RESEARCH INSTITUTE FOR HUMAN SERVICES,
Portland, Oreg., March 9, 1977.

To: Children's Services Division.
From: Regional Research Institute for Human Services Portland State University.
Re: Freeing Children for Permanent Placement: A Follow-up on Project Children.[1]

INTRODUCTION

Through a demonstration project, "Freeing Children for Permanent Placement," Oregon's Children's Services Division identified children who seemed destined to remain indefinitely in foster care and took action to provide them with permanent homes. The Oregon Project was based on the conviction that the instability of placements and the inherent uncertainty about the foster's child's status in a family limit the foster child's ability to form close, secure relationships, denying him the environment necessary to full personal growth. This belief is widely shared in the child welfare field, and other efforts have addressed the problem (Sherman, Neuman, and Shyne, 1973). What distinguishes the Oregon Project is that it actively pursued termination of parental rights in behalf of those children who could never be cared for by their parents, so the children could be placed in permanent adoptive homes.

Vic Pike, project director, supervised twelve project caseworkers who had received special training in methods of rapidly moving foster children into permanent homes. The project contracted with the Metropolitan Public Defender's office to provide legal representation of children in termination of parental rights hearings, and had access to a psychologist to do evaluations on parents and children. The project operated in 15 Oregon counties.

Five hundred nine children were selected for the project. They met the following criteria:

They were considered by their caseworkers to be unlikely ever to go home.

They had been in foster care for more than one year.

They were considered to be adoptable if they could be legally freed for adoption.

These criteria were set up in the belief that most children adrift in foster care are unlikely to go home and need special help to move through the court procedures necessary before an adoptive placement is possible.

Even though project cases were those thought not likely to go home, returning the child to his parents had the highest priority. Through special efforts by project workers to help parents, 131 of the project cases were returned home. When returning a child to his parents was not possible, adoption by either foster parents or new parents or placement with relatives was explored. When these alternatives were not possible, project workers sought a long-term contractual foster care arrangement.

THE FOLLOW-UP STUDY

The Regional Research Institute for Human Services at Portland State University contracted to evaluate the project and to do a follow-up study of placements made by the project.

Three tables summarize the results of the project. They show placements made up to the time the demonstration ended on November 1, 1976, and the results of a follow-up study, tracing cases until February 1, 1977.

So far, permanent homes arranged by the project have remained stable for 92 percent of the placements. Of those children for whom a permanent plan was achieved at the project's conclusion, 339 remained in the placement while 28 did not. Of those 28 who changed placements, 12 moved to another "permanent plan" and 16 are in foster care. Thus 96 percent are still placed according to a plan that is intended to be permanent.

In addition, 23 of the 92 children for whom a plan was in progress at the project's conclusion in November achieved this goal by February, leaving 69 remaining in foster care.

Even though plans were not achieved for 50 cases by the end of the project, 14 of these were placed in a permanent home later. Thirty-six are in foster care or in an institution.

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[1]Supported by Children's Bureau (Office of Child Development, HEW) grant No. CB481

As the tables show, more children had permanent homes on February 1, 1977, than at the project's conclusion. At this time, 76 percent of the 509 children who were served by the demonstration project now are placed with families on a basis that offers at least a chance for permanent family life.

REFERENCES

Sherman, E. A. Neuman, R., Shyne, A. W. Children Adrift in Foster Care: A Study of Alternative Approaches, Child Welfare League of America, 1973.
Pike, Victor. Permanent Planning for Foster Children. Children Today, Nov.–Dec. 1976, p. 22.

JANET LAHTI,
Project Director, Follow-up Study.

TABLE 1.—STATUS ON FEB. 1, 1977, OF PLACEMENTS MADE BY THE PROJECT

Placements	Total	Status as of Feb. 1, 1977	
		Same placement	Not in same placement
Return to parent	[1] 131	117	14
Adoption by new parents	94	94	0
Adoption by foster parents	84	80	4
Contractual long-term foster care	37	27	10
Relative placement	21	21	0
Total	367	339	28

[1] All figures are estimates based on a 50 pct random sample of project cases.

TABLE 2.—STATUS ON FEB. 1, 1977, OF CASES NOT REMAINING IN PERMANENT PLAN

Original placement	Total	Placement status on Feb. 1, 1977					
		Return to parent	Adoption by new parents	Adoption by foster parents	Contractual long-term foster care	Relative placement	Regular foster care
Return to parent	[1] 14	----	----	----	4	4	6
Adoption by new parents	0	----	----	----	----	----	----
Adoption by foster parent	4	----	2	----	----	----	2
Contractual long-term foster care	10	----	----	2	----	----	8
Relative placement	0	----	----	----	----	----	----
Total	28	----	2	2	4	4	16

[1] All figures are estimates based on a 50 pct random sample of project cases.

TABLE 3.—SUMMARY, TOTAL NUMBER OF CHILDREN WITH PERMANENT PLANS ON FEB. 1, 1977

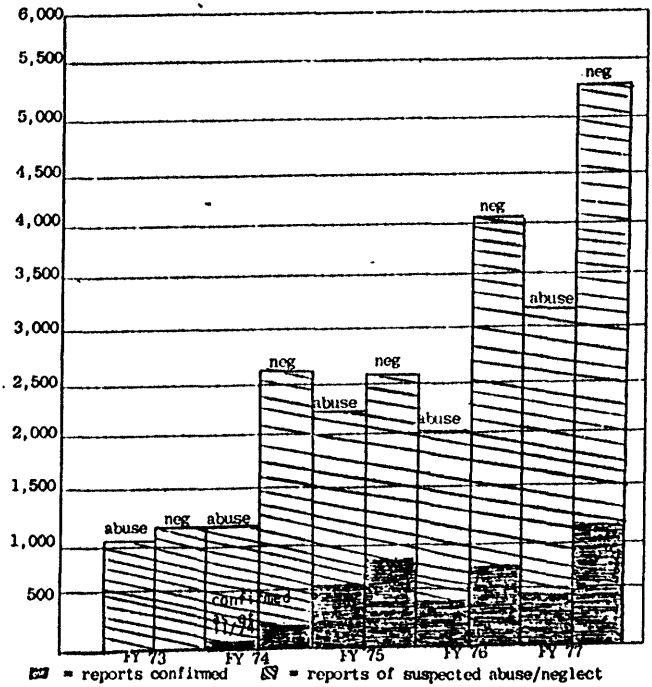
	Permanent						Not permanent	
	Return to parent	Adoption by new parents	Adoption by foster parents	Contractual long-term foster care	Relative placement	Total	Regular foster care	Total
Remaining in original plan (from table 1)	[1] 117	94	80	27	21	339	----	339
In new plan (from table 2)	----	2	2	4	4	12	16	28
In progress which achieved permanent plan	4	6	9	2	2	23	69	92
No plan achieved at project's conclusion	12	----	----	----	2	14	36	50
Grand total—plans as of Feb. 1, 1977	133	102	91	33	29	388	121	509
Percent	26	20	18	6	6	76	24	100

[1] All figures are estimates based on a 50 pct random sample of project cases.

PREPARED STATEMENT OF BARBARA J. SABOL, DIRECTOR, DIVISION OF SERVICES TO CHILDREN AND YOUTH

Mr. Chairman, members of the Subcommittee, I appreciate the opportunity to speak with you about the state and local foster care system and child welfare service programs.

In Fiscal Year 1974, there were 3,786 cases of suspected child abuse and neglect reported to the Kansas Department of Social and Rehabilitation Services. In Fiscal Year 1977, there were 8,466 cases of suspected child abuse and neglect reported to the Kansas Department of Social and Rehabilitation Services. This represents a 54 percent increase in the number of suspected abuse and/or neglect cases reported to us.



In June 1977, there were 5,308 children in out-of-home care; over one-third of these children are receiving care in a family foster home.

In June 1970, there were 7,682 reported juvenile arrests for major crimes, in 1974, 9,444—an increase of 32 percent.

1970 data indicates there are 90,646 Kansas women with children under 6 years of age in the labor force and 165,088 Kansas women in the labor force with children 6–17 years of age.

There were 12,561 divorces and annulments in Kansas in 1975. This is an increase of 1,077 or 9.4 percent from 1974.

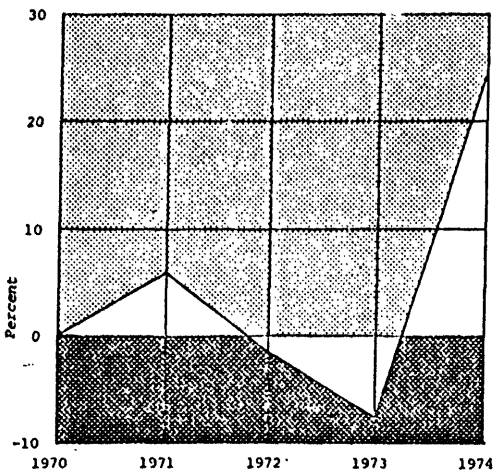
In school year 1974–75, 32,458 youngsters graduated. However, in the same school year, 6,977 youngsters were official dropout. Additionally, there are probably other youngsters who are physically in school but who, for all practical purposes, have mentally dropped out.

These statistics reflect, in part, the problems facing children and families. These are not just the problems of minority and poor families. These are problems in practically all our communities and are not limited to any racial or socio-economic strata. Of the 105 Kansas counties, there are only two in which there has not been a reported case of suspected child abuse/neglect.

States do not recruit children for foster care. In Kansas, 96 percent of the children receiving foster care receive it as a result of a judicial determination

YEAR	JUVENILE ARRESTS	% INCREASE/DECREASE
1970	7,682	0.0
1971	8,138	+5.9
1972	7,593	-6.8
1973	7,115	-5.8
1974	9,444	+32.0

JUVENILE ARRESTS - TOTAL MAJOR CRIME.
% INCREASE or DECREASE 1970-1974



JUVENILE ARRESTS CUMULATIVE % INCREASE/DECREASE
Source: Kansas Bureau of Investigation, 1974

that the child should not be in his/her own home. If the court makes a decision that the child must be removed from his/her home, that child must have shelter and care.

Management Information Systems, Centralized Clearinghouses, and Referral Systems are excellent tools, however, MIS's do not deliver services to children and families. There must be a system of services as well as a system of information gathering and dissemination.

From our child tracking system I know, the local social workers know, many communities know that some children who are currently receiving out-of-home care would not have had to be removed in the first place if a homemaker had been available, if respite care had been readily available, if intensive casework services had been readily available. . . .

Much more information is available than we are able to act on. We recently had studied 117 cases of children and youth who were receiving out-of-home care. Here are some interesting findings from this sample:

(1) In 53 percent of the cases, one parent was caring for the child prior to placement.

(2) Fifty-two (52) percent of the sample were living in suburban/urban settings prior to placement; 48 percent in rural areas or small towns.

(3) Thirty-two (32) percent had previous police contacts ranging in severity from status offenses to attempted murder.

(4) The number of children having police contacts during initial placement were considerably less than those having police contacts prior to placement—13 percent vs. 32 percent.

A recent analysis of closure of foster care cases (other than parental rights severed) indicates that 50 percent of the cases are closed within one year. This indicates to us that if there had been adequate in-home services available, probably one-third of the children removed from the home could have remained in the home.

I favor the development of information systems, however, I caution against the development of expensive systems at the expense of services to needy children and parents asking for help. It is much easier to commit oneself to hardware and data when you do not have to deal with a family who needs and wants service. I would recommend that if a state has a tracking-information system in place the state be allowed to expend those funds earmarked for systems development for services.

Preventive services is the real key to maintaining children in their own homes. States need the funding capacity to provide such services as:

(1) Education for parenthood as a preventive and rehabilitative service.

(2) Improved staff-client ratios.

(3) Intensive casework services which can help parents bond with children and provide a relationship and person who can stand by and stand with the parent in meeting the parent dependency needs in such a way that the parent can move to independence and support of the children.

(4) Homemaker services.

(5) Crisis nurseries.

(6) Emergency care workers and emergency shelters.

(7) Aftercare services to children leaving institutional settings.

(8) Family therapy services.

(9) Safe houses for mothers/wives and children who are being abused.

(10) Improved services to unmarried parents to assist them in gaining skills and knowledge of child rearing, use of community resources, etc.

(11) Increase adoption subsidy.

In Kansas the expenditure for homemaker services for children in fiscal year 1976 was approximately $110,000 and the foster care expenditure was $11,704,345. There is no discussion of child welfare services and prevention of child abuse and neglect and treatment of failing families that does not include homemaker services. It is less costly as well as preventing separation of children from their families. Given the service resources to provide services to families to assist them in remaining intact, I would expect to see an impact on the turnover rate in social service staff. Imagine the frustration of reviewing a well done evaluation and making a proper casework plan only to find that your only alternative is removing the child from his family—foster care. Case finding and evaluation may assist agencies in justifying their existence but it has little impact on the child or the family *unless* we can offer and give services and assess impact of those services.

Some of the children receiving out-of-home care would best benefit from residential settings. The proposal to allow Federal Financial Participation for public facilities serving 25 resident children or less is a sound one and sorely needed. The ultimate limiting factor regarding capacity of the facility is determined by effective structuring and management of the children. There has been some discussion relative to lowering the match ratio in larger residential facilities. The capacity of the facility does not determine the quality of the program. There are children for whom these settings are the most appropriate. To deny Federal Financial Participation to these facilities would negate our commitment to reintegration and community-based care. In Kansas there are children with multiple problems (may be physically handicapped, retarded and emotionally disturbed). In some cases a placement in Kansas is impossible.

The ability of the Kansas Department of Social and Rehabilitation Services, Division of Services to Children and Youth, to provide adoptive homes for children with special needs is enhanced by the Adoption Support Act. The Adoption Support program has increased adoption opportunities for children with special needs by providing continued financial help to families who will adopt the child in their care; sibling groups where the selected family cannot afford the additional expenses of receiving two or more children at one time; children with chronic medical problems; children who need special help such as speech, psychiatric, or physical therapy; children with learning problems and developmental disabilities; or children of other racial or minority groups but the family income would ordinarily preclude the addition of a child by adop-

tion. In addition to the obvious benefits which permanent adoptive homes provide for these special children, the average cost of maintaining a child in an adoptive home during fiscal year 1976 was approximately $126 per month compared to an average of $260 per month for a child in foster care. Forty-two (42) children were approved for adoption support in fiscal year 1976 and a total of 153 children have been approved for adoption support since implementation of the program in 1973. Adoption subsidy is a program for children. The Kansas program is not a mechanism to allow poor people to adopt; its purpose is to make possible the adoption of special needs children regardless of family income. Our agency entered into a contract with the Kansas Children's Service League, Black Adoption Project, with the specific objective of facilitating the adoptive placement of black youngsters with black families. We have placed 15 black children in black families. Four (4) of these children were a sibling group who had been in foster care for several years. These four children were placed in a family with no children and an annual income of $14,600. A family budget can be adjusted to accommodate one or two children much easier than four children. The cost in foster care for these four children would have been in excess of $800 per month without medical care. The adoption subsidy is considered as income for public assistance and Title XX eligibility and is taxable.

Because of its potential to facilitate permanent homes for children, adoption subsidy should be included as an authorized expenditure under Title IV–B and as a part of the foster care maintenance program. It should not be subject to a lid. This would not serve the best interests of the child.

An example of adoption subsidy at work is Mary Ann's story. Born with a myelomeningocele, she was rushed to an urban medical center. After extensive surgery she was placed in a crib care home after relinquishment by her mother. There she stayed for several years, "retarded" and bed fast. Mary Ann was adopted at age three with the assistance of adoption subsidy. The adoptive family was aware of her prognosis—she would not walk and would learn very little. Even with the assistance of medicaid the expenses associated with Mary Ann's care would have been prohibitive, special appliances, special instructions, special care, transportation to an urban setting for medical services, etc. Was it worth it? Today Mary Ann walks with braces and attends regular public school.

For a child to remain in foster care because of the child's special needs rather than be adopted as a part of a permanent family is not in the best interests of the child and certainly not fiscally sound. The suggestion of an income test as a factor of eligibility for adoption subsidy indicates that the client has been forgotten. The client is the child—the child with special needs who needs parents and permanency. States have, or will set criteria for the utilization of adoption subsidy payment.

A few brief remarks regarding Title XX—Kansas, like most states, has reached the Title XX ceiling. It is important that the ceiling be increased if we are to continue to meet the goals as set out in Title XX. Following are excerpts from Title XX eligible clients regarding services received: "If I hadn't gotten homemaker services I was going to a nursing home. The homemaker comes twice a week to help me out since I broke my hip. I'm staying in my own home."

We received in excess of 4,000 comments regarding Title XX day care alone. Many comments came from elderly citizens regarding homemaker services.

I appreciate the committee's interest in services to children and their families and would summarize my recommendations as follows:

(1) Full and immediate funding of Title IV–B. However, if funded on a gradual basis over several years states shall not forfeit any of the $63,000,000 not expended in fiscal year 1978 and these funds can be carried over into fiscal year 1979.

(2) Title IV–B funds above current level should not require a state match. If state matching becomes a necessary condition, I recommend 90–10 match ratio.

(3) Increase in Title XX ceiling.

(4) Adoption subsidy should not be subject to a ceiling.

(5) No income test for adoption subsidy.

(6) Title XX ceiling should be increased.

(7) Reconsideration of cap on foster care maintenance (preventive service outcomes are not immediate).

(8) Employment of AFDC recipients in day care be outside the Title XX ceiling.
(9) State participation in development of rules and regulations.

Senator MOYNIHAN. Now we welcome Lynn Cutler, Supervisor, Waterloo County, Iowa on behalf of the National Association of Counties.

STATEMENT OF LYNN CUTLER, SUPERVISOR, WATERLOO COUNTY, IOWA, ON BEHALF OF THE NATIONAL ASSOCIATION OF COUNTIES, ACCOMPANIED BY PAT JOHNSON, WELFARE CONSULTANT, NATIONAL ASSOCIATION OF COUNTIES

Ms. CUTLER. Let me introduce Pat Johnson, Welfare Consultant at the National Association of Counties on loan currently from Los Angeles County.

Senator Culver had to go back upstairs to the Foreign Relations Committee hearings, so he allowed me to introduce myself to you. I am a County Supervisor of Black Hawk County, Iowa and I am here this afternoon representing the National Association of Counties, where I am the National Chairperson for the Social Services Subcommittee.

You have my prepared testimony, Senator, before you and what I would like to do is go through and perhaps try to hit some points that have not been covered this morning. We are in substantial agreement with much of what the immediate panel preceding me had to say, and with much of the testimony that you have heard here this morning.

I think that you were very right to note, that many States and local governments have innovated programs that have worked their way up to the national level.

One of the things that we feel very strongly about, as local government, is that we want to retain the right to be creative, to be flexible, and to try to solve problems at the local level. As you know, however, we need the Federal dollar to help us do that.

Senator Dole has gone. I really wish I could have responded to him personally.

Senator MOYNIHAN. Please do. It will be in the record, and I will see that he gets a transcript.

Ms. CULTER. He asked about costs of programs. All of us are very concerned about this, particularly in States like mine, where we have been at the ceiling on title XX since the year 1.

I also chair the title XX State Advisory Committee.

Senator MOYNIHAN. It is about $115 million. It only turned out after there was no ceiling, that a ceiling was imposed. There were 10 good years.

Ms. CULTER. I feel it quite keenly, a Sword of Damocles hanging over us.

That is why we feel so strongly about this legislation. The administrative costs of programs often are the reason for the cost that he is expressing concern about, and Senator Dole asked about. We see a tremendous amount of money that has to go to administration, clerical work, just to meet the paperwork requirements, and often,

were we able to fill out simpler forms, simpler reporting requirements, maybe more unified reporting requirements, we could cut costs and programs that way.

And so I just share that with you as something to look at as we go along.

I am going to try to skip through my testimony. I am aware of the time constraints.

Senator MOYNIHAN. You have been very patient with us. We will show you courtesy.

Ms. CUTLER. I want to commend the committee for their prime consideration in addressing some of the funding policy programs addressed in title XX, title IV-A, title IV-B programs, as proposed in H.R. 7200. The essence of my remarks is that additional funding for social services must be provided and the counties must have maximum flexibility in providing the services needed in local communities within available funds.

Then I will also address some of the policy issues for social services and specialized child welfare services, including the need for adoption subsidy.

Our position on the title XX ceiling, as you might well guess, is that it must be increased to halt the erosion of services that has been occurring due to inadequate funding, and that authorization must be increased annually based on increases in the cost of living.

While we are very grateful, believe me, for the $200 million permanent increase, this amount falls short of the full $1 billion increase that we feel we need for social services and it must be considered a minimum.

The new ceiling level of $2.7 billion established by making the $200 million increase permanent will not allow for expansion or buy any new services. It will permit us to maintain the existing level of services and to prevent further cutbacks in services to the needy.

Without the cost-of-living provision, there is no assurance that adequate services can continue to be maintained.

If I may, Senator, I would just like to give you a scenario for Black Hawk County. We match title XX funds to a large extent, day care services, in services to the mentally retarded, by way of group homes, other kinds of day programs. We have very fine services for handicapped children and adults.

As title XX funds shrink each year—and they have indeed—what has happened is that there are no other funds forthcoming, as I say, from the Federal Government. They are not there for the State government; although our legislature has attempted to pick up some of the cuts in XX and pass them back to us at the local level, it is us, it is those of us at the local level, who then have to eyeball the child in day care and that child's parent and say, forget it, no more services.

We are the ones who have to face the parents of the retarded child and say, we are sorry, there is no money, remove your child from this group facility and send him back to the state institution or some other place. We do not do that, obviously. The bottom line is that we do not do it.

We have been increasing each year, out of the local property tax dollar, which is the most regressive form. I am sorry about it,

but we are stuck with it. We are in this terrible situation where we are increasing the taxes on the very people who ultimately, sometimes, these funds are intended to help.

Over 16 percent of the people in my county are aged 65 or over, and property tax has harmed them very greatly. That is where the increase comes. That is where is comes from.

It is a very difficult situation. We are desperately in need of fiscal relief. That is the final fallout. That is where the funding is coming to provide the services that are being cut back.

Senator MOYNIHAN. It is generally held that only New York and California pay a portion of welface costs, but in fact, one-fourth of the counties pick up welfare costs all over the country, do they not.

Ms. CUTLER. That is right. I think it is 18 states where the counties still have a substantial buy-in of AFDC costs. We pick up still on administrative costs. We share with the State administrative costs.

Senator MOYNIHAN. You are not in the 18?

Ms. CUTLER. No.

Senator MOYNIHAN. But you have welfare costs?

Ms. CUTLER. Absolutely. That is income maintenance. When you get to discussing service costs, we have large service costs.

If I may, I would like to talk to the 94–410 program. I have been a child care advocate for many years. I used to be an administrator of a head start program before I ran for public office. I am still very active in office for the development of quality child care programs.

I oppose the earmarking of these funds for child care. In my State, it has been almost impossible to deliver these services in the manner in which they were set out.

I think, in keeping with what we are saying as local government, if we had those funds, if they were part of the XX package, we could determine our needs and devise the service and provide them.

Senator MOYNIHAN. You would not propose including them under title IV?

Ms. CUTLER. That is right.

Senator MOYNIHAN. Now we have two equally persuasive witnesses who have told us equally opposite things.

Ms. CUTLER. I am talking of the 94–410 funds. I feel strongly about the earmarkings, as is indicated in my testimony in some further detail.

On the IV–B provisions, NACO supports the House recommendation for the full $266 million authorization and the conversion to an entitlement program. NACO also supports the emphasis on services to prevent foster care and preventive alternatives to indefinite or limbo foster care placement of children.

We support restrictions of funds for foster care maintenance.

The increased child welfare funding does not in any way decrease or offset the need for title XX services money. It does help provide some teeth in a program that is not now very well-developed in most places in the Nation.

The traditional low-level funding for title IV-B services described in the law has negated any really effective use of the program to prevent or reduce the incidence of foster care.

In many States and counties, the IV-B funds have been used to pay maintenance costs of foster care.

Title XX services have come to be focused on the needs of the elderly, childcare, homemaker services, and employment services to the exclusion of the important specialized services addressed in Title IV-B, and this is understandable, given the goals of title XX, self-support and self-sufficiency.

Different goals and services are necessary for children at the risk of foster care. There is no way our current title XX program can carry the needed services to prevent foster care and reunify families.

Title IV-B needs its own funding.

Secretary Califano's proposal to limit new child welfare funds to $63 million until specific requirements are met is unworkable. It triggers a classic Catch-22, because $63 million is not enough to develop the required services across the Nation and if they are not developed, the additional $147 million will be withheld.

I sincerely hope that your committee will authorize the full $266 million package, and soon. We are facing crises in our community also of battered children. That was a closet issue for so long. Now we have opened the door and shed light on it, and we advertise, here is a number you can call that they are calling, and it is there. We just desperately need to address this one problem alone, among all of the others that have been so eloquently shared with you this morning.

I would like to add a cautionary note about the level of funding and the imposition of standards and accountability. Services to provide alternatives to foster care can be very costly and $266 million for a whole nation really is not very much.

Proposed requirements for the use of additional funds should be examined carefully to be sure that some one requirement does not eat up all of the money. Once again, flexibility at the local level in the use of the funds should be combined with strong Federal guidelines to provide a workable program.

These Federal guidelines for child welfare services should be of a general and flexible nature to allow for program development of services, that are suited to community needs, with safeguards to insure that the new funding is directed to services to prevent foster care and to reconstitute families.

There are some additional comments in here relevant to the specifics of IV-B. I would like to underscore the earlier testimony and suggest that I think the adoption subsidy payment really ought to go to maturity in the case of the profundly handicapped, multiply handicapped children.

Senator MOYNIHAN. Would you require that, or do you think a kind of caseworker review that seems to be in place ought to be used?

Ms. CUTLER. That is a very logical suggestion.

Senator MOYNIHAN. Perhaps you would permit it if there were a commitment to go on without the requirement.

Ms. CUTLER. Family circumstances change frequently. It could go the other way. A family could have the means, be quite well to do, adopt a child——

Senator MOYNIHAN. The theory is that as the children get older, they are less expensive. The theory is wrong, let me tell you.

Ms. CUTLER. The whole question of being able to move handicapped, multiple handicapped, children into some permanent, loving family situation, I think, is long overdue as a national priority. I am delighted that it is under discussion. We certainly support that.

No one has spoken this morning to IV-D. I would like to, for a moment, because I feel strongly about that as a feminist, if I may.

We have, in our State, a very good IV-D program, support recovery, and it has been in place for some time. Our county was one of the pilot projects several years back.

We insisted at the time that we renegotiated the contract with them, when I came into office, that that service be available to all women, that many of the women who are classified as having all sorts of assets often cannot afford the cost of private counsel to pursue, an ex-husband, in support payments.

Having lived with an attorney for many years, to whom I am married, I appreciate that those services——

Senator MOYNIHAN. Who pursued whom?

Ms. CULTER. There are a lot of women who simply cannot afford private counsel. They do not meet legal aid standards. They are caught in a limbo. They have no choice.

The child support recovery program offers them a tremendous opportunity. I think this $20 requirement is going to be so costly to administer and collect and start the needs test business that in the long run it is simply not worth it.

I really feel child support recovery services ought to be universally available, and they will pay for themselves if the experience is anything like ours has been, that we will be keeping families from having to go on public assistance rolls.

I do not think it is workable.

Senator MOYNIHAN. $20 makes no sense to me.

Ms. CUTLER. You would end up spending a lot more than that to determine—first to determine if they even have to pay it, then to try to work it in your building, in a whole clerical system you do not need. That is my feeling on it.

I think I would stop here. I won't comment on the voluntary foster care and some of the other issues that are before you. I would like to say, in relation to your bill, Senator, that certainly counties are very interested in providing fiscal relief to States and counties for fiscal year 1978 AFDC costs.

In other public statements, we say fiscal relief should not be sacrificed to balancing the Federal budget or wait until major welfare reform is in place.

I am sure you are aware that we have been very much involved in all the discussions since January with the administration with the development of the welfare reform package. We very much appreciate the administration's reaching out to those in local government and running by several of the proposals. That has been a very good process.

Senator MOYNIHAN. Let it be recorded that your remarks senator contained the one kind word said for the administration this morning.

Ms. CUTLER. I am glad that I was the cause of your saying that. It really has been a most gratifying process. I have travelled from Iowa many, many times in the spring to Washington, and they are listening.

Of course, as I said, we support the immediate fiscal relief, especially a provision of the bill that requires that States pass onto the counties their proportionate share of the money.

I would like to stress, however, this morning, that fiscal relief for AFDC costs is not a substitute for the adoption subsidy, the child welfare cost, or care services, or for title XX social services that 7200 addresses.

We really need those. Therefore, I would like to suggest that 1782 not be amended into 7200 unless there is a clear provision for funding over and above the social services provision of H.R. 7200.

Senator MOYNIHAN. We thank you very much. I would like to ask one question, if I may, in view of the hour.

Have you looked at the question of judicial review?

Ms. CUTLER. Yes; It is in our testimony, which I am not sure you have before you.

Senator MOYNIHAN. I have not read it.

Ms. JOHNSON. Senator, we do support fully a predetermined time for some kind of review of voluntary foster care because we have read and agreed with the studies that children are languishing in foster care and institutions far beyond a time of their own home or foster care could have been arranged.

We do not feel that a judicial determination is required, or an order, until some other point in time, such as the bill suggests, 18 months.

The early court determination we feel is duplicative and expensive.

Senator MOYNIHAN. Our previous panel spoke to that earlier decision.

Ms. JOHNSON. We do believe in an early review of some sort, not a judicial determination, which we find expensive and wasteful and not necessary for the protection of the children.

Ms. CULTER. I just want to add in regard to that that we are just now in the process of building somewhere, squeezing into our courthouse 10 years old, three additional courtrooms.

I know of no area where county government is more strapped than in the tremendous burden of gowth in the whole court system, law enforcement court system. Anything we can do to remove something from that system that perhaps not ought to be there would be helpful from that standpoint alone.

That is taking a slightly different tack, a little less humanitarian one. It has just become an incredible burden for us.

Senator MOYNIHAN. Anything that could reduce that burden should come under the category of humanitarian.

We thank you very much.

[The prepared statement of Ms. Cutler follows:]

PREPARED STATEMENT OF HON. LYNN CULTER, SUPERVISOR, BLACK HAWK COUNTY, IOWA, ON BEHALF OF THE NATIONAL ASSOCIATION OF COUNTIES (NACo)

Mr. Chairman, members of the committee, good afternoon. I am Supervisor Lynn Culter of Black Hawk County, Iowa, representing the National Association of Counties (NACo)[1] where I am the national chairperson for social services. In that capacity, I represent both the Welfare and Social Services Policy Steering Committee and its affiliate, the National Association of County Welfare Directors, who administer the social services programs that are the subject of these hearings. On behalf of those groups, I am happy to testify in support of HR 7200, Public Assistance Amendments of 1977.

I want to commend this committee for your prompt consideration in addressing some of the funding and policy problems of the present title XX, title IV-A and title IV-B programs, as proposed in H.R. 7200.

The essence of my remarks is that additional funding for social services must be provided and that counties must have maximum flexibility in providing the services needed in local communities, within the available funds. I will also address some of the policy issues for social services and the specialized child welfare services, including the need for adoption subsidy.

First, Title XX. NACo's position on this matter is that the $2.5 billion ceiling must be increased to halt the erosion of services that has been occurring due to inadequate funding; and that the authorization must be increased annually based on increases in the cost of living.

While we commend the $200 million permanent increase, this amount falls short of the full $1 billion increase we need for social services, and it must be considered a minimum. The new ceiling level of $2.7 billion established by making the $200 million increase permanent will not allow for expansion or buy new services. It will permit us to maintain the existing level of services and prevent further cutbacks in services to the needy. Without the cost of living adjustment provision, there is no assurance that adequate services can continue to be maintained.

NACo opposes the earmarking of these increased funds for child day care as I indicated a few minutes ago, maximum flexibility is needed in the counties to administer services that fit the needs of our communities. Many states and counties are up to standard in day care provision and they require additional funds for other needed services. Earmarking the new funds for day care just penalizes those jurisdictions for having complied with Federal requirements. As a long-time day care advocate, I hasten to add that States with inadequate day care programs should be required to upgrade services in that area. This can be done effectively through regulation and monitoring by HEW of the day care standards rather than by legislative earmarking of the funds. Furthermore, earmarking of funds for any specific service or standard is contrary to the intent of the title XX law, which was to permit local government to deploy their share of social services dollars to those services most suited to their jurisdiction; within the broad guidelines of self-support, self-sufficiency, protection, and enabling persons to choose home care over institution. It's a good law, and we'd like to ensure its integrity with adequate funding and by not earmarking.

Next, the title IV-B child welfare services. NACo supports the house recommendation for the full $266 million authorization, and the conversion to an entitlement program. NACo also supports the emphasis on services to prevent foster care and to provide alternatives to indefinite or "limbo" foster placement of kids. We support the restriction of funds for foster care maintenance payments.

The increased child welfare funding does not in any way decrease or offset the need for title XX services money. It does, however, put some teeth and meaning into a program that is not now very well-developed in most places in the nation. The traditional low level of funding for the title IV-B services de-

[1]NACo is the only national organization representing county government in America. Its membership includes urban, suburban, and rural counties joined together for the common purpose of strengthening county government to meet the needs of all Americans. By virtue of a county's membership, all its elected and appointed officials become participants in an organization dedicated to the following goals: Improving county government; serving as the national spokesman for county government; acting as a liaison between the nation's counties and other levels of government; and, achieving public understanding of the role of counties in the federal system.

scribed in the law has negated any really effective use of the program to prevent or reduce the incidence of foster care. In many States and counties, the IV-B funds have been used to pay maintenance costs of foster care.

Title XX services have come to be focused on the needs of the elderly, costly day care, homemaker services, and employment services, to the exclusion of the important specialized services addressed in title IV-B. This is understandable, given the limited funding base and the title XX goals of self support and self-sufficiency. Different goals and services are necessary for children at risk of foster care. There is no way the current title XX program can carry the needed services to prevent foster care and reunify families—so title IV-B needs its own funding.

Secretary Califano's proposal to limit new child welfare funds to $63 million until specific requirements are met, is unworkable. It triggers the classic catch 22 because $63 million isn't enough to develop the required services across the Nation and if they aren't developed, the additional $147 million will be withheld. I hope that your committee will authorize the full $266 million.

Let me add a cautionary note about the level of funding and the imposition of standards and accountability: services to provide alternatives to foster care can be very costly; and $266 million for a whole nation isn't very much. Proposed requirements for the use of the additional funds should be examined carefully to be sure that some one requirement doesn't eat up all the money. Once again, flexibility at the local level in use of the funds should be combined with strong Federal guidelines to provide a workable program. These Federal guidelines for child welfare services should be of a general and flexible nature to allow for services program development suited to community needs, but with safeguards to ensure that the new funding is directed at services to prevent foster care and to reconstitute families.

A few additional comments for the IV-B child welfare services increase:

(A) Like title XX, cost of living adjustment should be built in. I have pointed out that preventive and reconstitution services are costly, although very cost-effective in the long run. A normal cost of living increase rate of 5% will reduce the buying power of the $209 million fund by more than $10 million per year.

(B) Supports matching for IV-B at the same rate as title XX.

(C) To provide viable alternatives to foster care and adequate child welfare services, increased emphasis on training of staff and foster parents is needed. Increased training funds should be made available outside the closed end appropriations for title XX and title IV-B.

ADOPTIVE SUBSIDY

NACo supports establishing Federal adoption subsidy and services to promote adoption where appropriate. Limiting the subsidy to one year as in H.R. 7200 is unlikely to encourage many suitable low income families to adopt hard to place children. A long period, perhaps to maturity, is needed.

If an income test for adopting parents is used, it should be reasonable and simple to administer. It should not preclude families with middle to comfortable incomes from adopting.

VOLUNTARY FOSTER CARE

NACo supports Federal financial participation for voluntary foster care under title IV-A. The need to open up this funding is closely related to the child welfare and adoption issues. The Federal requirement for judicial determination of foster care in order to get Federal funding has created a system of processing voluntary placements through the courts for the sole purpose of securing Federal matching.

There are many situations that clearly call for a substitute foster home arrangement, for which court intervention would be patently foolish, and which extend for good reason beyond the 14-day "emergency shelter" period that is Federally matchable.

An example is the child whose AFDC mother is hospitalized temporarily but longer than the Federally defined "shelter" period. He was eligible for Federal matching at home on AFDC; eligible for Federal matching for two weeks of shelter care; ineligible for the intervening weeks or months until mother returns home, unless we go to court to have a judge tell us (a) that the mother

and relatives are unable to care for him, and (b) that he has to be in a foster home awhile longer. Then we can claim Federal matching.

Use of the courts in this way is a disservice to the social agencies and the children and parents, especially when families are cooperating in the placement. And, of course, it adds court costs and wastes legal resources.

The necessary safeguards to prevent its abuse can come through Federal standard setting such as requiring regular and thorough administrative reviews of voluntary placements that extend beyond a given period. These, like the decision for placement, can best be handled by our trained social work staff. Rubberstamping by the legal profession of these decisions were court protection is not required, is wasteful and inequitable.

Secretary Califano proposes to permit open ended matching for voluntary foster care, but would require a court or quasi-judicial review within three months. We have already pointed out that not all children in foster care require or can benefit from costly court intervention. To reconcile the differences between the HEW provision and those of H.R. 7200, we suggest that guidelines be supplied for adequate administrative review of voluntary foster care, reserving judicial review for cases that require the protection of the court.

CHILD SUPPORT

NACo supports continuing Federal Matching for child support collection services to non-welfare families. The requirement of H.R. 7200 that requires fee charging unless payment of the fee would make the family eligible for AFDC, would be costly and complex to administer. This is because counties would have to determine eligibility for AFDC, not a simple process, in order to assess the $20 fee, for families not otherwise applying for welfare.

S 1782

Senator Moynihan's bill to provide $1 billion in fiscal relief to States and counties for FY 1978 AFDC costs, is certainly of interest to counties. In other public statements we have said that fiscal relief should not be sacrificed to balancing the Federal budget, nor wait until major welfare reform is in place. So of course we support immediate fiscal relief, especially the provision of the bill that requires states to pass on to counties their proportionate share of the money.

However, I want to stress that fiscal relief for AFDC costs is not a substitute for the adoption subsidy, child welfare foster care services, or title XX social services that HR 7200 addresses. We need both. Therefore, I suggest that S. 1782 not be amended into H.R. 7200 unless there is clear provision for funding it over and above the social services provisions of H.R. 7200.

I thank you, Mr. Chairman and members, for the opportunity to present the counties views before this committee, and I will be glad to answer questions.

Senator MOYNIHAN. Now, for one who has waited with great patience, as he should, since he is a professor of social work, Mr. Norman Polansky. He represents the National Association of Social Workers, so we have now come full circle in this matter.

We welcome you, Professor, to this hearing.

Do you have colleagues with you?

Mr. POLANSKY. Yes, Mr. Chairman.

STATEMENT OF NORMAN A. POLANSKY, PROFESSOR, SCHOOL OF SOCIAL WORK, UNIVERSITY OF PENNSYLVANIA, ON BEHALF OF NATIONAL ASSOCIATION OF SOCIAL WORKERS, INC.

Mr. POLANSKY. Mr. Chairman, I am Norman Polansky and I represent the National Association of Social Workers. NASW is a professional association of 73,000 social workers in the United States. My testimony will, in part, reflect the experience of our membership in serving families of children nationally.

My comments are also from the standpoint of something like a decade and a half of research on child neglect in particular, and I come before you both as a social psychologist and as a social worker for I am trained in both fields. I am glad to be here also representing that part of the administration which lies in Georgia.

Since we are also very much in need of lunch, I will skip the formal testimony, of which copies are available for submission to the record, and just make a few points.

First, since you were good enough to address your question to me about the function of a profession, as I understood it, I would like to remind you of a wonderful sentence from Camus where he says, "Without character, there has to be a system."

I think the function of a profession is to provide a little more character so that we may get around the odds of corruption which all systems are liable to set up in legislation.

Our job as a professional social workers is to try to furnish, let us say, the noncoms and the privates to carry out the mandates of the Congress, and the mandates of our own consciousness.

Senator MOYNIHAN. I thought it was officer candidate school, but if you say they are noncoms and privates, I will let that pass.

Mr. POLANSKY. I regard them as the guts of the infantry and it is in that sense that we are discussing them.

The job of the legislation that is before you, from my standpoint, is to increase the options available to the front-line worker who is confronted with an extremely difficult family. I do not have the statistics at hand—they are not trustworthy anyway, Mr. Chairman—but a very, very high proportion of all children now landing in foster care coincide with that group of children to whom we are referring as the marginally neglected, the neglected, and the abused child.

You know this is no longer a matter of being orphaned, or the like. Therefore, when we talk about the whole foster care system——

Senator MOYNIHAN. What proportion of children that go into foster care, and what proportion that go into adoption come from, in effect, single parent families as against families that have some difficulty functioning?

Mr. POLANSKY. I am sorry. I do not have those statistics.

Senator MOYNIHAN. Why do you not get that?

Mr. POLANSKY. Yes.

Senator MOYNIHAN. If you look at that data that I spoke about earlier, the great difference in experience over three generations has to do with the rise in single parent families that have come about in a sense come in separate, rather than has come about at the death of one of the parents.

Mr. POLANSKY. As we talk about these problems, I remind you that, the group in the population, in which the number of childbirths is increasing at this time is the teenaged, unmarried girls. I hardly need to emphasize the extent to which they are in danger of becoming neglectful parents. Thus you can see the linkage between the problems of single parents and the need for preventive and protection child services.

I think the overlap is very large. Therefore, the need of the frontline worker for options about what to do is very great.

I agree with the witnesses who have addressed you thus far about the desirability of this legislation that which forestalls the movement of children through foster care I would like to add to what they have said.

With additional funding under title IV-B, we can families with what they do not have. For example competent grandparents so that if they have a fight there is a place to put their children temporarily or somebody who can take care of the kids while the parents go down to the stationhouse and settle the argument.

In actual experience, it can be interpreted in those homely terms.

What we are describing should, in the long run, save money. However, to really deal with the problem, we should be under no fantasy that large sums of money are going to be saved. This is a very difficult and expensive problem. The further we go, the more we uncover. Family disintegrtion is dangerous for the country at large. It is not just some humanitarian concern for whether children have pretty smiles or not.

We have a very difficult situation. Some of the consequences for social breakdown are reflected in scenes such as we witnessed in New York recently. Part of the problem for example lie in the fact that whatever families used to do about inculcating moral standards is no longer done.

What we have is a serious, large scale problem. Part of my job representing NASW is to emphasize that the task ahead is not going to be be easy. Some of the prevention of placement, for example, will require long-term family support for some families.

We have numerous families being treated by serious workers who are quite competent and we cannot get the family situation improved.

In such situations you have a choice: either move the child out of the family or put some supports into the family that greatly reduce the damage being done to the child. An example of the later is to put the child into day care or introduce a homemaker service into the family.

There are family situations where you practically have to think of homemaker service as not for 2 months, 3 months, but for 2 or 3 years, or perhaps until the children are reared. The alternative to which may be enormously more expensive. We now have reason to doubt whether it is that much better to remove the children.

These are the kinds of things that I am bringing to your attention, Senator Moynihan, because I know of your reputation as a serious social scientist. I know you would take with a grain of salt any promises of pie in the sky.

The truth of the matter is, if we had a specific "cure" for these problems, it would be like penicillin used to be for syphillis. You could just go in and take a shot and you then you would be all right.

We do not have that kind of specifics in fields like child welfare services, therefore, you could say well, social scientists fail. They do not know what to do

But a case can be made, that we are learning a little bit. Some of the stir-up around foster care did come from research effort.

I am representing my professional organization, and I would plead for continued support of funding for research. Not all of the support should be in the form of demonstrations. Demonstrations assume you already know what you should do, all you have to do is show it.

The fact of the matter is, instead of doing demonstrations, we should be embarking on voyages of discovery. How can we "demonstrate" how to do it, since we do not really know how?

Finally, of course, there is the need to maintain funding for the training of workers which has been gradually reduced in various programs. It obviously will affect recruitment into my field.

Of course, I have a financial stake in it, being professor. The fact is that when training funds get harder and harder to obtain, we will lose some of the kinds of people that would be good, dedicated workers.

Just to add one more thought to the difficulty of what you are taking on, and I cannot tell you how much I appreciate the energy and patience with which you are taking it on. One more difficult is that we have "worker burn-out" in this field. I do not think this has been discussed.

The fact is, you can have excellent persons who are marvelous at working with problem families and such people seem to have an effective a half-life of 5 years to 10 years. It is almost like Bruno Bettlheim's institution where Jules Henry went in and his discovery was that the dedicated childcare worker had a burn-out time of just about as long as it took the average child to get cured. The interpretation would be that when you go over whatever it was in your neurosis that made it possible in order for you to do this, you could not do it anymore.

One of the problems we are facing in social services field that further complicates the offering of services is that noncoms and front-line soldiers burn-out. In the future we will have to look forward to some turnover and some complicated arrangements for career patterns which permit people to be effective and recognize that not all of them can stay in front-line work with the most difficult kinds of cases we have here.

I will go back again to remind you of the dedication of this professional organization. Our hope is that we will continue to be the group of people who does care, along with others who care to work on these problems.

I would try to correct what have been some mistakes in the past of supporting fantasies and say from what we know firsthand these are not easy problems to solve.

I do believe that what you are doing is in the right direction, and I will stop my remarks at that point.

Senator MOYNIHAN. I do thank you, Professor Polansky. That is an absorbing point that you made. That is one of the most interesting things that I have heard today.

Were those autistic children?

Mr. POLANSKY. Very severely disturbed children.

Senator MOYNIHAN. I have had the head of the trade union who represents social welfare workers—not necessarily the social workers

as you describe them in New York City—say to me oh, they work about 3 years and then they give up. There is a problem of tenure.

What do you do in a situation where the emotional investment can be so heavy that there really is no resource beyond two or three experiences, yet the career and life go on—so do entitlements. It is a professional problem; you raise it very wisely.

On research, we will be for all the research money that comes along, not the demonstration money, as it were.

I must say it was pretty damned unsettling that the Secretary of HEW would come up here and propose this massive national involvement in a field, never before the national government's, and not have 5 cents worth of data.

I have learned today that 43 States have a program. We thought on Monday 1 week ago that we were going to start 50.

I have been trying to read the literature—which is a euphemism we have—I read one book by a lady at the Columbia School of Social Work, which was not easy to read. I think there ought to be someplace in HEW to collect data. We sent word to the Secretary the day before he spoke that we would ask the question we found in Martha Derthicic's little book.

In 1970, or thereabouts, the Bureau of the Budget was getting onto this enormous growth and the internal budgetmaking system in the executive branch was going on, and someone prepared for the Director of Community Services in HEW a list of questions that they said—would be asked at the Executive Office Building. They said, be ready.

The first question was, what do you know this year that you did not know last year?

I asked the Secretary that question. But the question made no impact. It had made no impact on his organization.

The word "know" connoted—I have no idea just what. It did not connote "I have inquired in some disciplined way." I wish you all would be a little more demanding. That bureaucracy represents, for ill or otherwise, your profession, just as the Department of Justice represents the legal profession, and it is really, your profession trying to establish modes of inquiry and replication.

I wish that you would express your disappointment when they seem to be so little in evidence.

Is that a roundabout way to say it?

You have been very patient, sir.

Mr. Gonzalez?

Mr. GONZALEZ. Miss Keith wanted to make a point about caseworkers and the availability of services, if she may.

Senator MOYNIHAN. Please do.

Ms. KEITH. With respect to your question about the drain on social workers, I was in the field for about a year and a half as a child abuse caseworker.

Senator. MOYNIHAN. I notice you are not there any more.

Ms. KEITH. I am not there any more. It is an emotionally draining experience dealing with the families and dealing with the pain of the children. Some of them are in physical pain. It is an added burden when one must scour the community in search of day care

centers, homemaker services, additional counseling and support services for the family; one for employment opportunities for the parents.

This is the importance of the additional funding for title XX and the additional funding for title IV-B services, so that the worker's attention can be focused on dealing with the dynamics of the family, and not with dealing with some great lack in community services.

Senator MOYNIHAN. Let me ask you a question.

To what degree does the existence of these services create a demand for them? There is no answer to that?

Ms. KEITH. I would say when you increase the supply of availability of services, the use of them in the formal network, is increased. I was able to provide some very limited, inadequate and temporary serious services through a very informal network.

Senator MOYNIHAN. As the economists would put it to you, what is the elasticity of demand?

Ms. KEITH. I am going back to my Samuelson and trying to remember all of those terms so I can think of an answer for you.

Senator MOYNIHAN. This is the Finance Committee?

Ms. KEITH. Give me the opportunity to do some homework. I will get back to you.

Senator MOYNIHAN. I will give you an opportunity to create an international reputation: calibrate and calculate the elasticity of demand for social services, and the word "Keith" will go down into textbooks for generations.

I thank you very much.

It is 2:20. The hearing has been extraordinarily rewarding. We thank you. It is typical of the National Association of Social Workers that you would be kept to the last, but you are in no sense the least.

[The prepared statement of Mr. Polansky follows:]

PREPARED STATEMENT OF NORMAN A. POLANSKY, PROFESSOR OF SOCIAL WORK AND SOCIOLOGY, UNIVERSITY OF GEORGIA, ON BEHALF OF THE NATIONAL ASSOCIATION OF SOCIAL WORKERS, INC.

Mr. Chairman and members of the committee, I am Dr. Norman A. Polansky, representing the National Association of Social Workers (NASW), the professional association of 73,000 social workers.

My testimony and recommendations today reflect the experience of NASW's membership in serving families and children nationally. These are views which I also share after many years of study and extensive research of neglected children and their parents.

Mr. Chairman, my comments will be brief and to the point: Before this subcommittee is an omnibus bill touching on matters which affect the lives of the most vulnerable of our people— the old (SSI), the poor (AFDC), children (Titles IV-A and IV-B of the Social Security Act) and those requiring some service just to maintain a degree of social equilibrium (Title XX). In a large measure, these programs all have something in common. They allow localities and communities to help families through provision of services directed at their special needs. Our comments today will center on two of these programs whose impact on families should be clarified and strengthened— Title IV-B (Child Welfare Services) and Title XX (Social Services). Our goals for these services are clear:

—to mitigate crisis and prevent broken families through supportive services;
—to enhance family stability through focused child welfare services.

What this legislation seeks and what has been lacking throughout Federal and state administration is congruity, continuity, and consistency of service delivery. We believe that these two programs should complement each other in the community and continue the family-focus of both programs.

Title XX is the largest federally funded social service delivery system. Its purpose is to serve the individual and the family in their community. This program represents the front line defense against crippling family crisis and breakup. For example:

—through employment related services, the family is aided in maintaining a minimum level of economic independence;

—through a variety of community-based services, individuals are enabled to remain in or return to their homes rather than living indefinitely within institutions;

—through information and referral, legal, protective, and transportation services, the individual is able to productively participate in community activities.

Title XX was designed to serve the needs of the entire community. However, the increasing stress on the American family has resulted in Title XX's resources being used to shore up an inadequately supported child welfare program. The consequence is to severely weaken the preventive function of Title XX. More and more our social service system must deal with families at the point of breakup or disintegration rather than at an earlier stage of the crisis, where the greater potential for mitigating the destructive effects of the crisis exists.

Title XX provides the community-based, family-focused services that help families avoid the necessity to consider alternative care arrangements for their members. In this way, Title XX minimizes the need for foster care and adoption services which essentially pick up the pieces of broken families.

To maintain the intent of Title XX and improve its preventive capacity, we recommend that:

1. For fiscal year 1978 and thereafter, the Title XX ceiling be raised from its present $2.5 billion to $2.7 billion on a permanent basis.

2. For the next fiscal year, the Secretary of the Department of Health, Education, and Welfare submit a report on the impact of inflation on Title XX services to Congress.

Our emphasis on the broader scope of Title XX is not intended to detract from child welfare services. There are bound to be times when children become homeless no matter how good the preventive services. Thus, as a collateral goal we must find ways to assure that placements meet the needs of the children. We must be sure that the agency which assumes care of the child is fixed with the responsibility of being sure that the child is not lost in the foster care system. In short, the goal of child welfare services is to return children to healthy functioning families.

The problem of contemporary child welfare service programs is the lack of resources and capacity to institute community-wide preventive services. As a result we experience a situation in which the foster care system has come to replace services to the natural family.

The result: Placement is the easy solution because there is always money available for foster care but seldom for services to prevent placement.

We want a child welfare system that is designed and financed to provide the greatest flexibility and opportunity for innovation in meeting the placement needs of children and their families. Specifically, we recommend for Title IV–B:

1. Full funding at the $266 million authorization level;

2. Conversion to an entitlement program so that states may begin effective long-range planning of services;

3. Restriction of new Federal monies under the entitlement to the provision of services designed to minimize the need for placement in foster care;

4. Requirement of a maintenance of effort by the states to ensure the financial increase in services and support activities.

Some children, for valid reasons, may never be able to return to their own families. We owe these children more than the impermanence of foster care. The condition of these "children with special needs" can be greatly ameliorated if each state receiving Title IV–B funds is required to develop a subsidized adoption program.

We applaud the Administration's proposal to establish a new program authority, separate from AFDC, under which both foster care maintenance payments and adoption maintenance payments would be authorized.

With respect to the Administration's comments on the amendments before this committee, we offer the following observations:

We believe that the needs of the child should determine the type and size of child care arrangements made, rather than the availability of Federal funding which favors a particular kind of placement. Therefore, we cannot fully support differential Federal matching rates for large and small child care institutions.

We support Federal matching for adoption subsidies. However, the basis of the subsidy should in some instances be the needs of the child and in other instances the income level of the adopting parents. We perceive two different sets of circumstances which make placement of some children difficult. First, there is the case where a child is hard to place because the child has a mental, emotional, or physical condition, the treatment of which poses a financial burden for the adopting family. In other cases, a child may be hard to place because the appropriate adoptive family cannot afford the financial burden of another child. This circumstance is especially applicable where the placement of siblings or ethnic children is sought. Our purpose in subsidizing adoptions should be to open up the widest range of placement possibilities for all hard to place children.

In order to expand the child care system to all children, we suggest that eligibility for foster care maintenance and adoption subsidies not be limited to eligibility for AFDC. Where means-testing is deemed necessary it should be compatible with the Title XX eligibility standards.

We propose that the new entitlement authority for foster care maintenance and adoptive payments remain open-ended. We believe it is unwise to make the decision to place a cap on the payments until the program has been tested.

We support the notion that Medicaid eligibility for pre-existing conditions would follow the child into adoption. We hope coverage would include conditions resulting from pre-existing conditions.

Finally, in drafting this legislation, the intent of Congress with respect to the goals and design of these programs should be so clearly stated that the need for interpretation through rules and regulations is minimized. It will then be possible for states, in developing their service plans, to rely on the language of the legislation rather than executive department rulings.

Mr. Chairman, these recommendations basically commit this country to a policy of maintaining and enhancing the integrity of the family unit and protecting children. These goals guide not only the provision of social services, but also the provision of income maintenance services. To the extent that the income maintenance system fails to provide a family an opportunity to develop a capacity for independent functioning, the services we have supported today will be needed in increasing amounts. If the family is a truly cherished national value, then it deserves the commitment of national resources through coordinated and comprehensive systems. The Congress should take the modest steps recommended here as the initial phase in developing a comprehensive national strategy on services to families and children. We hope you do. Thank you.

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ADDENDUM TO THE STATEMENT OF NORMAN POLANSKY, ON BEHALF OF: THE NATIONAL ASSOCIATION OF SOCIAL WORKERS, INC.

TITLE XX

With respect to Title XX funding, in order to assure that it meets current service needs, we recommend:

(1) For fiscal year 1978 and thereafter, raise the Title XX Federal ceiling from its present $2.5 billion to $2.7 billion on a permanent basis.

(2) In subsequent years, provide for an annual cost of living factor based on the consumer price index.

In May Senator Edward Brooke (R-Ma.) announced before the National Conference on Social Welfare that he will introduce a bill that would raise the Title XX Federal ceiling in fiscal year 1978 and thereafter by $1 billion to offset the cast of inflation since the ceiling was set. Senator Brooke stated, "The ceiling of $2½ billion which was placed on our major social service program, the Social Security Title XX Program providing Federal funds to the states for social services such as day care, foster care, and health related services has been in effect since 1972. Since then, inflation has risen 41 percent. Thirty-eight states now estimate that they are up to their Title XX funds ceiling."

In the event that Congress does not raise the Title XX Federal ceiling beyond the $2.7 billion recommended by the House, we strongly urge the inclusion of an inflationary impact statement.

EXTENSION OF TITLE XX AND SSI TO PUERTO RICO, GUAM AND THE VIRGIN ISLANDS

The territories of Puerto Rico, Guam and the Virgin Islands should be entitled under a separate authorization for the Title XX social services program. We support the House Ways and Means Public Assistance Subcommittee recommendation of $16 million—the amounts for which the territories are now eligible.

With respect to SSI, we recommend that the SSI Program be extended to Puerto Rico, Guam and the Virgin Islands at SSI benefit levels according to the ratio of the territories' per capita personal income to that of Mississippi.

AFDC RECIPIENT VENDOR PAYMENTS TO LANDLORDS AND UTILITY COMPANIES

The AFDC Program, adopted by Congress in 1935 as Title IV of the Social Security Act, instituted assistance to needy families in the form of direct cash payments, rejecting past practices of assistance through in-kind benefits and bill payments to vendors. In later years Congress permitted payments to vendors when the child's caretaker was determined unable to manage the AFDC cash payments. In such a situation the recipient was given the opportunity for a hearing and supportive services designed to help with the problems causing mismanagement. The state was given the responsibility of restoring the direct cash payment to the recipient as soon as possible.

Unlike the legislative intent noted above, Section 505(a) of HR 7200 is designed to provide primary assistance to municipalities--not the AFDC family. Under such a provision, the end result will surely be coercion of vulnerable AFDC families in order to support the municipalities' public housing agencies.

NASW finds Section 505(a) coercive and unwise. Since AFDC vendor payments already exist, we strongly recommend that the limitation of payments remain at 10%—certainly not increased to 20% or an unlimited percentage in the case of the proposed 2-party check payment.

In the event that Congress passes Section 505(a), we urge the adoption of the following protections recommended by the Center on Social Welfare Policy and Law. Such protections must assure that the "voluntary" payments are indeed at the request of the AFDC recipient and can be readily revoked at the recipient's request.

A. Procedure

1. Landlords, utilities and welfare agencies must be prohibited from requiring recipients to request vendor payments, from penalizing recipients who refuse to do so, and from attaching conditions to a recipient's right to revoke a request.

2. A request for vendor payments should be effective for no more than a reasonable period of time, such as 90 days.
3. Revocation of the request for vendor payments must be honored immediately.
4. Recipients must be given adequate notice of the voluntary nature of requests for vendor payments.

B. Housing

1. Vendor payments should not be permitted for housing which does not meet the health and safety standards established by state and local housing codes.
2. Vendor payments should only be permitted to landlords who agree to charge recipients no more than the amount of benefits provided by the state to meet shelter needs.
3. No more than 50% of the family's grant should be in vendor payments.
4. Vendor payments should only be permitted if a state identifies in its standard of assistance the amount needed for shelter and meets this need and all other needs in full.

S. 1782

The National Association of Social Workers supports S. 1782, introduced by Senator Moynihan (D-N.Y.), which would provide an additional $1 billion in funds in connection with the A.F.D.C. Program. The bill will provide in fiscal year 1978 temporary fiscal relief to overburdened states and localities prior to the development and implementation of a national welfare reform policy.

[Thereupon, at 2:20 p.m., the subcommittee recessed to reconvene Tuesday, July 19, 1977.]

PUBLIC ASSISTANCE AMENDMENTS OF 1977

TUESDAY, JULY 19, 1977

U.S. SENATE,
SUBCOMMITTEE ON PUBLIC ASSISTANCE
OF THE COMMITTEE ON FINANCE,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10:15 a.m. in room 2221, Dirksen Senate Office Building, Hon. Daniel P. Moynihan chairman of the subcommittee) presiding.

Present: Senators Long, Moynihan, Curtis, and Packwood.

Senator LONG. This hearing will come to order.

I am advised that the Honorable Abraham Beame, mayor of the city of New York, has been delayed on air transportation connections.

Is Jonathan Bingham, Congressman from New York, here?

The Honorable Charles B. Rangel, Congressman from New York?

If not, we will call first on Carmen Shang, acting commissioner, New York State Department of Social Services. We are glad you are here, Mr. Shang.

We are asking each witness to confine himself to 10 minutes. I will ask that the time be set. If you will summarize your statement, we will undertake to ask a few questions thereafter.

STATEMENT OF CARMEN SHANG, ACTING COMMISSIONER, NEW YORK STATE DEPARTMENT OF SOCIAL SERVICES

Mr. SHANG. Mr. Chairman, distinguished members of the committee staff, ladies and gentlemen.

My name is Carmen Shang. I am the acting New York State commissioner of social services.

Commissioner Toia expresses his regrets for being unable to attend, necessitated by pressing transition duties as he gets ready to assume the position of New York State budget director.

I am happy to have this opportunity to testify on H.R. 7200, the public assistance amendments of 1977 to the Social Security Act. I am also here on behalf of Governor Carey to support Senate 1782 introduced by Senator Moynihan as an amendment to title IV of the act.

In my oral testimony, I will summarize our views on Senate 1782, section 505 of H.R. 7200 regarding Federal financial participation and certain restrictive payments under the aid to families with dependent children program, the child welfare provisions, the provisions regarding supplemental security income program and provisions regarding child support programs.

94-698—77——19

We have submitted expanded written testimony for the record of this hearing.

Senate 1782 recognizes the unfair welfare burden carried by New York and other industrial States and offers a beginning to much-needed welfare reform. President Carter has clearly indicated in numerous statements the need for welfare reform and fiscal relief for the States. Both he and Secretary Califano have also indicated, however, that welfare reform is more complicated than they had originally believed, and that a new program cannot be put into place until 1981 at the earliest.

Senator Moynihan's bill provides a bridge between now and then, a bridge sorely needed if many States are to avoid economic stagnation and its impact on welfare caseloads.

We must keep in mind, however, that it is an interim measure and should, in no way, be considered as a substitute for the complete overhaul of the current welfare system.

Urban States should not be penalized because large numbers of people have migrated to them, nor should such States be disadvantaged for keeping their AFDC grant levels high enough to enable people to subsist according to the State's cost of living standards.

We feel that it is only just, therefore, that Senate 1782 relates to the distribution among the States of the additional $1 billion to welfare expenditures in each State and not to the number of recipients.

As to section 505 of H.R. 7200, New York State has long supported a change in the 10-percent limitation on vendor restrictive payments in the AFDC program. Neither the act, nor congressional intent, shows sufficient evidence why these payments show 10 percent rather than any other percentage figure.

Among the reasons which support the argument for modification are the following. Landlords are increasingly demanding direct payment of rent as a condition of renting to welfare recipients. This situation results from nonpayment of rent by recipients and is further exacerbated by clients who move owing arrearages that the landlord is unable to collect.

In New York City, an average of 4,000 recipients per month are added to the list of recipients who do not meet the rent obligations and require duplicate payments of about $1 million a month to prevent eviction.

Utility companies and fuel dealers are also demanding direct payments. They are requesting guarantees of payments for welfare clients. In many cases, they are requiring vendor payments as a condition of providing utility services.

The artificial 10-percent limitation on vendor restrictive payments enacted in 1968 created serious fiscal and program problems in New York State. The ability of the local social services district to meet the needs of the recipient is jeopardized because local districts must absorb the full cost of AFDC payments, which exceed the 10-percent limitation.

New York would prefer the removal of any limitation on the percentage of welfare clients that could be placed in vendor-restrictive status so we could deal with all cases that show evidence of mismanagement of welfare funds.

We will attain substantial relief if the restriction is raised from 10 to 20 percent, and we strongly support this change.

We do, of course, strongly support the provision that forgives past sins for the period January 1, 1968 through April 1, 1977.

On-the-job welfare provisions of 7200. I am pleased to have this opportunity to express our enthusiastic support for most of the child welfare provisions of H.R. 7200. In New York State, there are approximately 49,000 children—a staggering number—who are cared for away from their own homes in one or another type of foster care at an annual cost of $300 million.

While over 60 percent of the children are placed in family foster care homes, 16 percent are placed in either group residences or institutions, including residential treatment centers.

The numbers of children entering foster care have remained relatively stable since the late 1960's, but the characteristics of these children have changed dramatically. There continues to be more and more children receiving foster care who are older and/or emotionally disturbed, mentally retarded, physically handicapped, or have severe behavioral problems; 44 percent are nonwhite.

I am, nevertheless, convinced that the numbers of children placed in foster care can be considerably reduced. In our view, the two most effective weapons against children being placed and remaining in foster care over long periods of time are: (1) Making available necessary preventive services, such as homemaker, family counselor or day treatment programs to assure the children are separated from the families only as a very last resort; and (2) once it is clear that permanent separation from the family is inevitable, that the child should be assured that he or she is not only free for adoption, but every effort is made to secure permanent and loving adoptive home for that child.

Current Federal policies, particularly funding arrangements, not only do not sufficiently support these goals but provide disincentives for their implementation. Federal law and HEW regulations, albeit unintentional, make it extremely difficult to administer a rational child welfare system at the State and local levels.

Funds available under section 408 of the act are categorically limited to those children who are placed in foster care directly from families who either are in receipt of, or would have been eligible for, AFDC assistance, and for whom judicial determination as a necessity for placement has been made. This law discriminates against many poor families who need foster care services.

While foster care placement should only be used as a last resort, it should be equitably subsidized for all families who cannot pay the full cost.

The basic approach to income eligibility should be similar to that of title XX. For example, the eligibility standard for the family should be set at 80 percent, or could be set at 80 percent of the State's median income. I would strongly oppose, as an aside, any proposal that caps this funding source, as suggested.

Turning to section 401 of 7200, the redefinition of child welfare services is indeed encouraging, but we must not only talk of alternative services to foster care placement, we must also look for an alternative and adequate funding sources for such services.

In addition to the limited amount of preventive services provided under title XX New York State has, for several years, appropriated almost $4 million annually to be matched with local funds to provide services to prevent placement in foster care, or hasten to return foster children to their families.

A recent study of these preventative services projects shows extensive services provided to children and their families does prevent children from entering placement.

The cost of providing these services was about $2,000 per child, as compared to an average annual foster care cost of $8,000 with some institutional placements costing from $15,000 to $20,000 or more per child annually.

The increase in the title XX ceiling, $2.7 billion, will continue to relieve some of the continual pressures to reduce the availability of these kinds of services which resulted from a combined impact of the $2.5 billion ceiling and the rampant inflation of the last 5 years. However, if we are at all serious about expanding our efforts to provide effective preventive services, the IV-B authorized appropriation must be increased to the full entitlement of $266 million as provided in section 401, and it should be available in Federal fiscal year 1978.

Section 503 would provide adoption subsidy money for children currently in receipt of AFDC foster care. We support this provision.

Included in H.R. 7200, first, we in New York have sought ways to manage the country's largest foster care program and found development of an adequate system for case management and case strategy to be essential. Last year, our legislature mandated establishment of such a system statewide.

Senator MOYNIHAN. May I say, since your time has expired, if you could just encapsulate your remaining remarks, I am sure Senator Long and Senator Packwood would want to ask you some questions. We are on a schedule that we have to keep to.

Mr. SHANG. On the adoption subsidy, section 503, which provides adoption subsidy money for children currently in receipt of AFDC foster care, we support this provision enthusiastically.

We believe that no single action could do more to facilitate the placement of children, particularly those with extraordinary needs, the so-called hard-to-place children in adoptive homes.

However, its limited coverage, a maximum of 1 year or the length of time that the child was in foster care, whichever is longer, restricts its effectiveness.

We are opposed to the provision that mandates that diligent efforts be made to find families wanting to adopt without subsidies before subsidies can be granted. Fiscal consideration should not lead us into a stature of unfair policies that give preference to welfare families in determining adoptive homes.

Moving along, again, Senator, before you came in, we made the statement that we are trying to highlight our statement.

Senator MOYNIHAN. We very much appreciate that. We have a very clear and comprehensive statement from you.

Mr. SHANG. A weighty statement.

There are two other child welfare provisions of H.R. 7200 on which I would like to comment. I wholeheartedly support the pro-

vision that agency foster care be provided without a judicial determination for dependent children voluntarily placed in foster care. Removing these cases from the judicial process would free the courts to allow more time for catching up on the backlog of the 18-month court case reviews as well as allowing time for the more careful adjudication of neglect, juvenile delinquency.

The second is making Federal funds available to public facilities caring for 25 or fewer children. Today, agencies wishing to provide services directly, often because it is more cost-effective rather than programmatically necessary, have been seriously discriminated against by Federal funding policies.

One final subject, Senator, on the provisions related to child support enforcement.

New York State welcomes the intent expressed by the House in extending until September 30, 1979, Federal matching funds for the cause of child support enforcement and the establishment of services provided to nonagency individuals. We strongly believe, however, that the Federal matching authority for nonagency services should be made a permanent part of the program.

I can think of few social obligations more fundamental than that of supporting one's children and it is clearly in the national interest to encourage the State to enforce that obligation as effectively as possible, because enforcing child support and obligations is, in our view, such an essential social function I do not believe that Congress should require the States to charge fees for this service to non-AFDC recipients or applicants.

At the same time, we recognize that it is entirely appropriate for the Federal Government to give primary emphasis to the provision of services for people receiving AFDC or who might require such assistance if the child support obligations are not enforced.

The job of support obligation of parents in these conditions is enormously difficult. It is clearly in the interest of both the State and the Federal Government to ensure that a fully-effective program on child support enforcement for the agency population is established as quickly as possible.

Therefore, I strongly urge that Congress limit in two ways what is required of the States in the area of services to non-AFDC individuals. First, the State should be required to afford the services only to nonagency individuals whose incomes do not exceed two times the AFDC standard of need.

The States should not be required to give these services to nonagency individuals until some future time, such as January 1, 1981. This would ensure that the critical personnel employed by the agency would be able to concentrate their efforts on enforcing support obligations in the AFDC programs.

The concludes my testimony. Thank you.

Senator LONG. Senator Curtis?

Senator CURTIS. No questions.

Senator LONG. Senator Packwood?

Senator PACKWOOD. When Secretary Califano testified initially, Senator Moynihan asked him a series of questions, some of which was, maybe we cannot have both objectives achieved by Federal regulation as the same time as the State discretion. We may have to give up one or the other.

Would New York prefer to have this money with the regulations that would come with it under the bills we are now considering or, roughly the same amount, or the same sum of money into title XX but free to spend as you would want on social services?

Mr. SHANG. The same amount of money we are talking about that would be appropriated under this bill?

Senator PACKWOOD. Yes.

Mr. SHANG. Instead of the separate IV-B?

Senator PACKWOOD. If there were any restrictions in title XX that would prohibit you from spending it for the services that would be mandated in this bill, to remove those restrictions.

Mr. SHANG. Senator, I think I am going to give you a comment off the top of my head, but I do not think I would change it later.[1]

Title XX, as you know, is a limited ceiling program. In our particular State, locally administered, we have some 58 counties, all making demands on that limited amount of New York State money.

With all of the social services programs that we have, you can probably understand how it is necessary to establish a severe basis, in many cases, in priorities. Some services people really need are not received.

I believe that the nature of the subject we are talking about here, the critical foster care problem, the problem we are facing with hard-to-adopt children is one that we would prefer that the money be separately appropriated, set aside, and attributable to a specific program that this act or this bill would provide.

Senator PACKWOOD. Why could not New York do the same thing with unrestricted money.

Mr. SHANG. As I said, I think essentially—with unrestricted money?

Senator PACKWOOD. Yes.

Mr. SHANG. An unrestricted amount of money?

Senator PACKWOOD. No.

Mr. SHANG. The money would be, as I understand your question——

Senator PACKWOOD. You would be free to use it for child services, if you wanted.

Mr. SHANG. For the full range of social services programs?

Senator PACKWOOD. Right.

Mr. SHANG. I think the demand for the social services program is much that I do not know if this money might be lost because of other priorities.

Senator PACKWOOD. What you are saying is that you have higher priorities in New York than child services?

Mr. SHANG. We have day care programs, for example.

Senator PACKWOOD. If you have higher priorities in New York, then what is this money being earmarked for? Why do we not earmark it for the higher priorities?

Mr. SHANG. The higher priorities in New York have a long history to them. It goes back to a time when the social services programs were funded without limitations, that went on for many years. The demands for services by the citizens of New York and its

[1] Mr. Shang supplied further comments on this point in a letter to Senator Moynihan. This letter appears at p. 295.

localities grew and grew and grew, then all of a sudden there came the advent of the ceiling, there came the advent of planning for services. That is the period we are in now. It is not a completed period yet.

There are a lot of demands that are still being made from the old days.

Senator PACKWOOD. Are you telling me that the demands in your estimation, the demands are there?

Mr. SHANG. The commitments.

Senator PACKWOOD. Are you saying the political realities of New York are such that even although child services might, in your mind, occupy a higher priority, they would not get a big enough share of the pie if New York were left with the money without restrictions?

Mr. SHANG. Would you repeat that?

Senator MOYNIHAN. I think that is what the Commissioner said.

Senator PACKWOOD. If we gave you this money without restriction, the same amount of money you get under this bill, put it into your social services fund, are you telling me that New York does not have the stamina or political wherewithal, or whatever it is, to resist other demands in the social services field on this money, even though, in your estimation, they may not be as high a priority?

Mr. SHANG. That is close to what I said. We have a locally administered system in New York State. The counties, the programs are administered at the county level.

Senator PACKWOOD. The bottom line of what you are telling me is this: normally we hear mayor after mayor, county commissioner after county commissioner, just give us more money, take the strings off. The Federal Government is absolutely badgering us to death with regulations. What you are telling me is that New York State is not strong enough to stand up to the pressures, and you will not be able to spend it properly unless we tell you how to spend it.

Mr. SHANG. I hate to describe New York State as not being strong. I think what I am saying is that we have a history, a history—commitment. First of all, a county administered program has a long history of expanding social services programs in New York State. The combination of those two being in existence several years ago when we started running into financial problems at all levels of government caused State and its locals to start rethinking their social policies and their commitments—we are still in the process of establishing priorities for the use of limited social services programs monies.

Therefore, I think it might be safer——

Senator PACKWOOD. Not to have New York to have the discretion to spend it as they may want to spend it, but for the restrictions?

Mr. SHANG. Possibly.

Senator PACKWOOD. Thank you.

Senator LONG. I am looking at a pamphlet here prepared by our committee staff with figures on all States with regard to child support enforcement in 1976.

I am looking at New York. According to this table here, for New York the child support collections are $7,790,000—let's round it off to $8 million.

For that much in collections, the total administrative cost in New York is $33 million, of which $9.5 million is State funds, and let's round it off to $4 million in Federal funds.

That would indicate it is costing $4 in New York State to collect $1 of child support money from the father.

Look at the adjoining State of New Jersey. In that State, for a total administrative cost of $8.5 million, they are collecting roughly $14 million, so for $1 spent to obtain child support from parents—usually the father—you are getting closer to $2.

Senator MOYNIHAN. Would the Senator yield?

Senator LONG. Yes.

Senator MOYNIHAN. Would you look at Michigan, a State that spends almost the same as New Jersey?

Senator LONG. They collected $53 million.

Senator MOYNIHAN. $53 million, almost exactly the opposite. We collect $7 million and spend $33 million. They spend $7 and collect $53 million.

Senator LONG. Nobody can claim to be perfect in this world. I am amazed that Louisiana does not make a good showing. Louisiana makes a poor showing, too. For $1 of collection, we are spending $3 in administrative costs. When Louisiana is up here, I am going to jump on Louisiana for the same thing. And New York is even doing it worse.

If you look at your neighboring State of Massachusetts, roughly $3 million in cost results in collecting $16 million. Why can you not get a better return from your money on child support from these parents?

Mr. SHANG. Senator, I am more than a little bit familiar with this subject. I know that this is your belief, this was your legislation——

Senator LONG. To me, it is an utter and complete outrage to have a father making $15,000 a year and have a family applying for welfare, without that man's contributing 5 cents. Why can New York not do better than spending $4 to collect $1?

Mr. SHANG. I intend to answer your question as best I can. We would first like to say that we have, from the beginning, in our State fully supported the so-called IV–D legislation which will do the job, eventually, of correcting a serious problem and the causes for it; correcting one of the main causes for agency dependency was never really intended by the act when the program was created, of the father, or legally responsible relative who should support.

When you start comparing—and we are improving on those ratios that you mentioned constantly. There is a constant improvement.

The statewide ratios that you refer to are mainly in New York City. The upstate figures in New York are much better. The ratio of support and collection is much better.

We have very diligently tried to put this program, continually tried to make this program effective since about August 1, 1975 when it first started up. We have problems, though, as compared to Michigan and New Jersey. This has been substantiated by many studies that the nature of the relationships between people are different.

There is a higher, for example, a much higher percentage of people in the big cities in Michigan and New Jersey where the families are stable, where families break up or families who have

children break up, there is a divorce, there is a formal court proceeding, and support continues according to court orders.

In New York City, this is just one example—we have a much more transient population where you do not have a high incidence of families who break up, who were married in the first place who break up by divorce and whose parents, one parent continues to make support payments pursuant to divorce.

We have a higher incidence of out-of-wedlock children and transient people.

Senator LONG. Pennsylvania shows up with a good return on the same program. They have big cities in Pennsylvania. They have big cities in New Jersey and Michigan, and Massachusetts. It seems to me that if all of those States can make a good showing then you have got to be able to do a lot better than $1 out of $4.

Mr. SHANG. As I said, Senator, it would seem so, but that is only one example of what studies have shown is for the reason for this.

One point that can be made is that we are aware of this problem.

Senator LONG. How much progress have you made in the past year in tightening up the program in New York State as the result of quality control?

Mr. SHANG. I do not have the figures at my fingertips. Each year we show a tremendous improvement.

Senator LONG. Can you provide that for the record?

Mr. SHANG. Yes.[1]

Senator LONG. My impression is that you have saved a lot of money during the past year.

Mr. SHANG. No question about it.

Senator LONG. Perhaps the year before that, too. I think last year New York's financial situation was tight, but you made a lot of progress. I applaud you for that. It seems to me that there is a lot more that can be done.

Mr. SHANG. May I interrupt you for just one minute? I did want to say that there are a couple of reasons which perhaps you could be helpful to us, why we cannot improve in our IV–D program.

We have, in New York City, for example, thousands and thousands of warrants where people who are able, who do not comply with court orders of support, we have warrants that they are supposed to be brought back to court, that they are not being served.

We are told under the act, the IV–D bill, that this is not reimbursable under the IV–D program. We have some bottlenecks in our family courts as a result of the increasing number of support petitions being filed. We are told that the Federal Government will not reimburse under this program.

Senator LONG. We are here to help. I am going to offer an amendment on this bill right here, to try to take off some of these impediments in the way of getting better results with the money.

I know the subcommittee chairman, Senator Moynihan, is opposed to any Federal regulation that impedes the use of the money that you have. We cannot do the job we ought to be doing if you fail to show us what is needed to do a more effective job on your end.

Let me take a look at this next item. This is a memo prepared by our staff, analyzing the figures across the country.

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[1] See letter received from Mr. Shang at p. 295 of this hearing.

With regard to New York, the single error that accounted for 45 percent of all the AFDC resultant dollar errors was the concealed presence in the home of a father, upon whose desertion eligibility for AFDC was based. In 21,000 cases he would be found not only living in the home but earning an amount sufficient to render the family ineligible under even the unemployed father segment of AFDC.

Now, it is my understanding that your people over there take the view that it is not safe to send a social worker into those tenement buildings. If that is the case, it seems to me that you should take some of these unemployed fathers that you have there—for that matter, we have some Capitol Police officers up here that are women; I think some of those would qualify—and put them on the payroll, take them off the welfare rolls and put them on the payroll to check these cases out to see whether those people are really qualified.

Every time you get a case off that does not belong there, that leaves you much more money to provide more adequately for somebody who does.

Mr. SHANG. Senator, there is one thing I can mention in response to that statement and the questions that you just raised.

Are you familiar—I am sure you are—with the requirement, the Federal requirement, that was in the act, for separation of services that was recently repealed, repealed in the last couple of years. Anyway, that requirement in the act is one of the reasons why the situation exists as you described it. I am sure it is not limited to New York State.

It used to be that you would have caseworkers who would be assigned to a specific case and have complete authority for that case and would make home visits.

Then there was the advent of the separation of services put into the Social Security Act that mandated the complete separation——

Senator LONG. That was a regulation, not a law.

Mr. SHANG. I am sorry. Forgive me. I think you are right. A HEW regulation.

Senator MOYNIHAN. That is HEW's idea, not this committee's.

Mr. SHANG. I apologize.

Senator LONG. That is a HEW regulation. You should have been telling us about that, that it impeded your doing an effective job.

Mr. SHANG. I think, Senator, that we did.

Senator LONG. The biggest fiasco ever tried in my city was the declaration method where somebody called down and said, put me on the rolls. It might be a man impersonating a woman, for all you know. Just send them a check.

At least we have found out that was a fiasco. We have to identify the people in the Department who thought up that lamebrain idea so we will not put them in a position of responsibility again.

In these areas where a better job can be done, it seems to me that we ought to try to do that. It appears to me that every State should have the latitude with that money to pay somebody to do something rather than pay somebody to do absolutely nothing. If you find someone who may render useful service, you can say, we will pay you something—pay them a little more than they would make otherwise—in order to improve their condition and the condition of the

entire neighborhood, the condition of the people who live around them, if they can do anything whatever useful.

I know you have explored thoughts of that sort in New York. I have seen indications in newspapers that people are thinking up there in New York on how to improve their program.

What attitude do you have if we gave you more flexibility; say that if you want to pay somebody to do something rather than pay them to do nothing, that is your privilege.

Mr. SHANG. Senator, we have been, for a long time New York State was one of the main proponents of more flexibility at the State and local level for the administration of these programs.

Senator LONG. Frankly, it seems to me, when we get the President's recommendations on welfare, we are not going to pass his recommendations on welfare reform the same day. I can assure you they will be carefully studied. It may not be enacted this year, it may not happen next year. Even if it does, it is going to take awhile to implement them.

It would seem to me when the President makes suggestions, if any of those suggestions that appeal to you up there, you should be privileged to try some of them at the State level.

My reaction is, if it will work in New York City, it will work anywhere. You could prove right there in New York whether an idea is a good idea.

I have said this before. When the Under Secretary of HEW was here, I challenged him to have a try at seeing what they could do toward implementing the family assistance plan in Washington, D.C. That would be right under the nose of the Congress where we can check it. He said in the first place, they were not willing to have it tested before it went into effect and in the second place, if they tested it, the last place they would test it would be the District of Columbia, on the theory that you might have a better chance to make it work someplace else.

Senator Ribicoff at one time had been Secretary of Health, Education, and Welfare. He led the charge for those people at that time. He subsequently told me, if the same proposition had been made to him, he would have been happy to test it right here in the District of Columbia to see if it would work on the theory that if it will work, you ought to implement it; if it will not work, you should not force it on 50 States in this Union.

I am just pleading for the position that anything you think is a good idea, you ought to try it right there in your own State. You have the most difficult place of any place in New York, New York City. If it is not good, you should not foist it off on other people.

Does that appeal to you?

Mr. SHANG. Absolutely. Again, we have advocated putting in effect many of the principles that you just stated. For example, in New York State, we have had an adoption subsidy program by statute for many years, a very successful prorgam. Even with limited amounts of money, we have been able to do demonstration projects on preventive services to prevent unnecessary foster care.

Again, we have successful results. We have been doing this on our own for some years.

Senator LONG. In your general assistance program you have been asking people to do some work to help pay, in part, for the benefits. How is that working out?

Mr. SHANG. Fine.

Senator LONG. It is working very well?

Mr. SHANG. We have tried many varieties of so-called work incentive programs, or programs designed to induce a person to go back to a condition of self-support. Some are better than others.

Senator LONG. When the Federal Government places impediments in your way to keep you from doing what you think would be the best job, you ought to advise us. I hope you will, and we ought to try to do something about it.

I just found out that the law, according to HEW, prohibits using Federal matching on a program where you pay someone to do something, even for his own benefit; and I discovered that this was part of enacting the work incentive program. It may have been one of my own amendments.

I asked, where did this happen? They said, when you put the work incentive program in. If that is the case, we ought to repeal it. Nobody on this committee ever had in mind that a State would be precluded from paying a person from doing work when we enacted the work incentive program.

We want to make these things work. As far as New York State is concerned, I have told Mayor Beame, and I will tell him again when he is here, that it is perfectly all right with me to give New York the money as a block grant. Anything you can save in New York, you could have 100 percent of it to help New York with that problem if they could do a better job. It would not do them any good if they could not do a better job.

In addition to that, I am happy to support Senator Moynihan's fiscal relief amendment. The Secretary of HEW sat right there and testified that before you provided New York with 17 percent of $1 billion, you ought to insist they do a more effective quality control job.

I think that is fair. I do not want to make it a condition before you get the money. I just think you ought to go ahead with the program.

While you are doing all of this, we want you to do a better job. It is going to benefit you and all of your people up there, just as it would the whole Nation.

Would that appeal to you?

Mr. SHANG. Yes. I think we can show—and we think we can—that we constantly and continually are decreasing the instance of overpayments and payments to ineligibles in New York State.

Senator LONG. Thank you.

Senator MOYNIHAN. Thank you, Mr. Chairman.

Commissioner, I would make one last paternal statement if I might.

I know that you can show improvement, but I would like you to show a little indignation. I would like to have the New York State government say, it is a goddamn outrage, and do it on behalf of the people who need your help and not the bureaucrats who get your pay.

I just calculated the ratios of administrative cost to recovery in the child support enforcement provision, just this minute. Look at our neighbors. Massachusetts gets $5.82 for every dollar spent; New Jersey $1.60; Pennsylvania gets $6.; Connecticut, $13. We lose $4.52.

Does that not make you mad?

Mr. SHANG. That makes me outraged.

Senator MOYNIHAN. Show a little outrage, Commissioner! How could you come down here and ask for help in the face of the overwhelming evidence of an insubordinate and incompetent bureaucracy that gets the money?

I have been going through these hearings day after day telling the Al Smith story. I will not tell you, but it is the story of where is the money, who has got it? It is a system of feeding the sparrows by feeding the horses.

Yesterday a New York City official stood here and told us about their adoption system. We had just heard from the commissioner of social welfare in Oregon who told us that the median family that adopts a child in Oregon has an income of $9,100 a year and an average of 2.5 children.

In New York City, we spend $9,600 per child, and I will tell you who does not get the $9,600—the child does not. It is time that we show a little indignation about it.

But we also want to thank you, sir. We would like to ask you, quickly if you can, about the question of separation of services. We might want to include this in the present legislation. When you get back, would you do that?

We welcome you and look forward to working with you, and urge you to rise in indignation and break the marble palaces built by Governor Carey's predecessor.

[The subsequent letter from Mr. Shang and the prepared statement of Mr. Toia follow. Oral testimony continues on p. 305.]

NEW YORK STATE,
DEPARTMENT OF SOCIAL SERVICES,
Albany, N.Y., July 27, 1977.

HON. DANIEL P. MOYNIHAN,
U.S. Senate,
Washington, D.C.

DEAR SENATOR MOYNIHAN: Last week in my testimony before the Subcommittee on Public Assistance regarding HR 7200, several questions were asked to which I would like to respond for the record.

Senator Packwood asked if the State would prefer that IV-B funds be eliminated as a separate categorical grant, provided that Title XX funding were increased by a commensurate amount. At that time, I expressed some concern about this approach inasmuch as funds previously earmarked by child welfare services would now be available for any service. After some discussion, we have concluded that the New York State Department of Social Services would have no serious objection to the approach suggested by Senator Packwood. Moreover, I feel certain that the child welfare services authorized in the House bill would be a top priority for use of the new money, at least for the foreseeable future. I must point out, however, that this Department would have no way to guarantee that funds could not be diverted to other than child welfare programs at some point in the future.

You and Senator Long expressed deep concern over our State's performance to date in the Child Support Enforcement Program (Title IV-D of the Act).

Since 1975, one of the highest priorities of the New York State Department of Social Services has been the successful implementation of the Child Support Enforcement Program. In the collection of support and the costs of such, per-

formance has consistently improved as counties have gained experience with the program (see the table below). Additionally, the State expects to have an automated tracking system in place in New York City by next spring that will follow case by case through each of the steps involved in Child Support Enforcement Process. Further, Federal assistance with the cost of additional warrant officers and with family court expenses, particularly those associated with fact finding, would greatly assist the State in the conduct of this program. HEW has recently awarded the State demonstration grant funds to hire a number of warrant officers to assist with the program in New York City.

It should be pointed out that the data on the cost of obtaining support in New York State contained in the Senate Finance Committee Report of July 11, 1977, was accurate as obtained from DHEW, but it is outdated. We are now receiving a return equal to the administrative funds invested. We expect the ratio of expenditures to collections below for both New York State and New York City will continue to show improvement in the coming months.

NEW YORK STATE TOTAL EXPENDITURES AND COLLECTIONS INCURRED IN THE CHILD SUPPORT ENFORCEMENT PROGRAM AS REPORTED ON THE OA-41

Time period	Reported collections	Reported administrative expenditures	Ratio of expenditures to collections
July to September 1975	$245,928	$4,157,223	17:1
October to December 1975	1,577,024	6,576,849	4:1
January to March 1976	2,332,800	7,327,821	3:1
April to June 1976	3,639,315	7,661,872	2:1
July to September 1976	7,450,359	10,292,668	1.3:1
October to December 1976	8,292,263	8,464,417	1:1
January to March 1977	11,678,569	9,474,027	1:1.2

NEW YORK CITY TOTAL EXPENDITURES AND COLLECTIONS INCURRED IN THE CHILD SUPPORT ENFORCEMENT PROGRAM

Time period	Reported collections	Reported administrative expenditures	Ratio of expenditures to collections
July to September 1975		$3,112,199	
October to December 1975		3,926,506	
January to March 1976		4,294,440	
April to June 1976		4,323,919	
July to September 1976	$2,674,062	4,913,847	1.8:1
October to December 1976	3,024,027	4,595,235	1.5:1
January to March 1977	3,716,431	3,513,645	1:1

Interest was also expressed in the significant improvement in States AFDC error rate as reported by Quality Control. As can be seen from the table below, improvement has been occurring concerning each of the three areas: ineligibility, overpayment and underpayment.

AFDC ERROR RATES AS REPORTED BY FEDERAL QUALITY CONTROL

[In percent]

Period	Ineligibility		Overpayments		Underpayments	
	Cases	Dollars	Cases	Dollars	Cases	Dollars
Apr. 1 to Sept. 30, 1975 (Base Period)	17.5	16.7	31.9	9.3	11.1	1.7
Jan. 1 to June 30, 1974	15.8	14.5	31.0	9.1	12.6	1.7
July 1 to Dec. 31, 1974	12.7	11.8	29.6	9.9	18.6	2.6
Jan. 1 to June 30, 1975	8.6	7.7	25.8	7.7	18.2	2.7
July 1 to Dec. 31, 1975	10.6	9.5	20.8	6.4	12.9	1.9
Jan. 1 to June 30, 1976	8.5	7.1	21.4	6.1	14.0	2.1
July 1 to Dec. 31, 1976	8.3	7.3	19.1	4.8	10.4	1.2

[1]Base period.

If there is information about the New York State experience in the administration of public welfare programs that I can provide your committee, I will be most happy to do so. I would like this letter to be added to the record of the hearing held on HR 7200, before the Subcommittee on Public Assistance. Thank you for providing us the opportunity of testifying before the Committee.

Sincerely,

CARMEN SHANG.

PREPARED STATEMENTS OF PHILIP L. TOIA, COMMISSIONER, NEW YORK STATE DEPARTMENT OF SOCIAL SERVICES

Mr. Chairman, distinguished members of the Committee, staff, ladies and gentlemen.

My name is Philip Toia and I am the New York State Commissioner of Social Services. I am happy to have this opportunity to testify in support of H.R. 7200—the Public Assistance Amendments of 1977 to the Social Security Act. I am also here on behalf of Governor Carey to support S. 1782, introduced by Senator Moynihan as an amendment to Title IV of the Act. I will make a few remarks relative to S. 1782 and then discuss four of the major components of H.R. 7200—Section 505 regarding Federal financial participation in certain restricted payments under the Aid to Families with Dependent Children (AFDC) program; the provisions regarding the Supplemental Security Income (SSI) program; the Child Welfare provisions; and the provisions regarding child support enforcement.

S. 1782

S. 1782 recognizes the unfair welfare burden carried by New York and other industrial states and offers a beginning to much needed welfare reform. President Carter has clearly indicated in numerous statements the need for welfare reform and fiscal relief to the states. Both he and Secretary Califano have also indicated, however, that welfare reform is more complicated than they had originally believed and that a new program cannot be put in place until 1981 at the earliest. Senator Moynihan's bill provides a bridge between now and then; a bridge sorely needed if many states are to avoid the cold fiscal waters of economic stagnation and its impact on welfare caseloads. We must keep in mind, however, that it is an interim measure and should in no way be considered as a substitute for the complete overhaul of the current welfare system.

The burden of welfare costs does not rest evenly on the various states and cities in the country. New York City has traditionally attracted the downtrodden and poor, seeking jobs and better economic opportunities. It is a major world port into which many immigrants to the U.S. enter this country. Immigration and in-migration in search of better economic opportunities have been characteristics of this country throughout our 201 years of history. In the framework, however, of its current economic and financial problems and its high rate of unemployment, a crisis it shares with the whole of the Northeast, New York is no longer the gateway to reasonably rapid upward progress. New York State is now faced with having to fund welfare expenditures that its economic base cannot support. In New York State approximately 75 percent of all ADC mothers were born out-of-state including approximately 25 percent born in the southern states and 35 percent born in Puerto Rico.

In view of the migration and mobility patterns of this country's population and the shifts in the economic climate of the country from one region to another, the welfare "problem" is really a national one, and the burden must be shared more equitably by the nation as a whole.

Throughout its economic crisis New York State has maintained the level of benefits. New York State and other northern industrial states are forced to pay much higher grant levels than southern and agricultural states because the cost of living is so much higher. The result has been a heavy tax burden for New York State residents. The State and local tax burden is 54 percent higher than the national average.

We feel it is only just, therefore, that S. 1782 relates the distribution of the additional $1 billion federal financial participation among the states to welfare expenditures in each state and not to the number of recipients. S. 1782, however, refers only to expenditures for the AFDC program. We feel that the bill would be more equitable if general assistance payments were included in

the base for calculating total public assistance expenditures. Needy intact families, childless couples and single individuals in New York, as in a substantial number of other states, who do not meet the Federal assistance category requirements receive comparable assistance payments under the general assistance program without any federal participation. I would note that the whole thrust of President Carter's welfare proposals to date has been to establish a system which will not discriminate against the intact family and which will also provide support for couples and single individuals in need. New York's general assistance program already does just that.

Our proposal to use total public assistance expenditures as a base will not only provide a more accurate reflection of the welfare burden carried by New York as well as other states, than AFDC expenditures alone, but it is consistent with the pattern which will be established by welfare reform.

SECTION 505—FEDERAL FINANCIAL PARTICIPATION IN CERTAIN RESTRICTED PAYMENTS UNDER AFDC PROGRAM

I am pleased that the House of Representatives has responded positively to one of the problems I stressed in my statement made in May of this year to the Subcommittee on Public Assistance of the Committee on Ways and Means. Let me reiterate my strong support for a change in the 10 percent limitation on vendor restricted payments in the AFDC Program.

Neither the statute nor congressional intent shed any light on why these payments are fined at 10 percent rather than any other percentage figure. In other federal programs restrictions or limitations on payments have been governed by circumstances and/or recipients' choice rather than on an established percentage. For example:

In the AABD program (Title XVI), there was full federal participation in indirect payments made to a protective payee when a physical and/or mental condition rendered the recipient incapable of managing his own funds.

Under the former Title XVI (AABD) the shelter payment for all AABD recipients residing in a public housing authority could be made by voucher payments to the housing authority.

In the ADC Foster Care Program (Title IV–A), third party payments (protective payments) are made in all cases with full federal participation.

Payments made to meet emergency needs of families under the Emergency Assistance to Families Program (Title IV–A) can be made as money payments, vendor payments or payments in kind.

In the WIN (Title IV–A) and Child Support Enforcement (Title IV–D) programs, when the caretaken relative is sanctioned out of the case for failure to comply with program requirements, the assistance payment for the children is made as a protective payment.

United States Department of Agriculture regulations permit a deduction of the foodstamp purchase requirement from the monthly grant for recipients requesting same.

OASDI and/or SSI monthly payments can be deposited directly in a bank, if the recipient so elects.

In all these programs, full federal financial participation was or is received even though payment is not made directly to the recipient. The 10 percent limitation on ADC payments is the exception in federal programs rather than the rule.

In July 1976, I wrote to Mr. William Toby, the HEW Commissioner for Region II, expressing our concern about the 10 percent vendor restriction provision. Among the reasons cited for our concern, and which support the argument for modification, were the following:

Landlords are demanding direct payment of rent as a condition of renting to welfare recipients. This situation results from non-payment by recipients and is further exacerbated by clients who move ownig arrearages which the landlord is unable to collect. As a result of these levels of rent income, landlords, do not provide adequate maintenance and eventually abandon the buildings, thereby reducing the already limited number of units available to welfare recipients. Over the past few years the housing stock in New York City has suffered a net loss of approximately 30,000 units per year.

In New York City an average of 4,263 recipients per month are added to the list of recipients who do not meet their rent obligations and require duplicate payments of $1,093,870 per month to prevent their eviction.

Utility companies and fuel dealers are also demanding direct payments. Consolidated Edison which supplies utilities in New York City and Niagara Mohawk, a major supplier in Upstate New York, are requesting guarantees of payment for welfare clients, and in many cases requiring vendor payments as a condition of providing service.

This results from the current high cost of electricity and an increase in non-payment of utility bills by all segments of the population. In 1975 an average of 2,868 recipients per month did not meet their utility bills and required duplicate payments of $451,819 per month to prevent utility disconnection or to restore already shut-off utilities in New York City.

The artificial 10 percent limitation on vendor restricted payments enacted in 1968 created serious fiscal and program problems in New York State. The ability of the local social service district to meet the needs of the recipient is jeopardized because local districts have to absorb the full cost of payments to welfare recipients in excess of the 10 percent limitation. The percentage of vendor payments in New York State has exceeded the limitation even though local social service districts have done everything possible to maintain these payments at a minimum. This has resulted in substantial financial losses to the local social service districts, especially in New York City.

In 1972, our State Legislature responded to this problem by enacting a bill which called for direct payments of rent to landlords where a public assistance tenant had failed to meet his full rent payment. The Federal limitation however, nullified the positive impact of this State legislation.

To avoid abuses and deter abusers, and since under law we are unable to duplicate payment already made, New York State has instituted a policy of recouping an advance allowance issued to prevent eviction or utility shutoffs. The effect on the family is a reduction in the net amount of funds available to pay rent, utilities, buy food, clothing, furnishings, and incidentals.

Further, some recipients are requesting that direct payments (in other words, dual payee checks) be made. In New York State public assistance payments are currently based on 1972 price levels. When recipient families are subjected to recoupment or the application of sanctions, additional pressure is placed on the family. With the reduced financial resources there is a tendency to default on the obligations involving large monthly expenditures as does rent and utilities, rather than cut back on daily or weekly expenditures, i.e. food and incidental needs. The use of a two-party payment for large monthly obligations serves to assist the family in setting aside funds to meet fixed monthly obligations.

In today's society voluntary withholding is a generally acceptable money management tool. Many persons use this method to insure that current income is set aside to meet financial obligations. For example:

Income tax withholding is used by many as a yearly savings plan.

Payroll deductions are frequently made for credit union loan payments or savings, savings bonds, etc.

Banks have plans whereby they will handle certain transactions for depositors; i.e. payment of home mortgage.

Utility companies offer the "budget plan" to customers whereby yearly bills remain constant regardless of actual bills.

In addition, this tool has application to the welfare population in that:

Social Services districts cannot obtain emergency services (i.e. delivery of fuel oil or hotel-motel accommodations), without guaranteeing direct payment.

With the increase in thefts in urban areas, a restricted payment protects the recipients.

New York State would have preferred the removal of any limitation on the percentage of welfare clients who could be placed on vendor restricted status so that we could deal with all cases which show evidence of mismanagement of welfare clients. But we will obtain substantial relief if the restriction is raised from 10 to 20 percent and strongly support this change.

We also support the new provision which permits states, at the request of the AFDC recipient to issue dual payee checks for up to 50 percent of the family's monthly grant. We recognize that this provision can be abused and the client subjected to undue pressure to request such restriction. Let me assure you that New York State will take all necessary steps to insure that recipients are not coerced into requesting voluntary vendor payments. This option offers the AFDC recipient an effective tool in money management but it must not be misused.

We do, of course, strongly support the provision which "forgives past sins" in the period January 1, 1968 to April 1, 1977. As my testimony indicates we believe we were more sinned against than sinning.

SUPPLEMENTAL SECURITY INCOME PROGRAM PROVISIONS

I would now like to comment on certain sections H.R. 7200 related to the Supplemental Security Income Program. The major items of concern to New York State are Section 114, coordination with other assistance programs; Section 106, increased payments for presumptively eligible individuals; Section 108, monthly computation period; Section 109, eligibility of individuals in certain medical institutions and Section 113, definiton of an elgible spouse.

In relation to the requirement for cooperation with other assistance programs, New York State has been making all possible efforts to insure that programs serving our aged, blind and disabled population are coordinated to the maximum extent possible. All such programs would benefit by development of provisions for applying for benefits under several programs at one location. This would be especially helpful to those people who unavoidably have difficulty making repeated trips to various offices to get assistance—as is obviously true of many aged, blind and disabled persons. While we will keep working to effect all possible improvements in program coordination, we urge that the proposed legislation be passed to insure continued progress in this important area.

The provision for increased payments for presumptively eligible individuals has our strong support. This would allow one or more cash advances to a presumptively eligible individual up to the maximum monthly benefit for up to three months. It would be particularly helpful to those blind and disabled people who have emergencies and need money while awaiting eligibility determination and receipt of benefits. New York State has attempted to respond to this need through its Interim Assistance and Emergency Assistance for Adults program. However, federal assumption of this responsibility would not only provide fiscal relief to the State but, more importantly, would also provide better service to applicants by enabling them to obtain such benefits at one location.

The section providing for a monthly, rather than a quarterly, determination of SSI benefits is an administrative change that will result in increased program efficiency. It will make the program sensitive to fluctuations in individual needs and has the potential to save money through more accurate and timely eligibility determinations. We are favorably inclined towards this provision, as it is a relatively simple action with the potental for excellent returns.

The provision for eligibility of individuals in certain medical institutions is a most important response to a major problem facing our SSI citizens. This section extends full SSI eligibility for the maximum benefit for three months to those individuals who enter a medical institution. Currently, such an individual would have his benefit reduced immediately to $25/month. The proposed legislation recognizes that an individual entering a hospital often has a household to maintain and the immediate reduction in the benefit makes difficult a subsequent return to the community. While New York State's Emergency Assistance for Adults Program authorizes grants for home maintenance during institutionalization, this proposal, as a federal reaction to a federal program problem, is a more comprehensive approach. It will not only help our aged, blind and disabled citizens surmount the crisis of hospitalization, but will also help prevent much more costly permanent institutionalization. We urge that this important provision be given favorable consideration.

As to the final item relating to the definition of an eligible spouse, we have some concern about the effect of this change. Previously, all couples that separated had to wait six months to receive full individual benefits. This was to discourage such separation merely to get two individual payments rather than the lesser couple benefit. Our major objection to this was removed by legislation last year that distinguished and exempted separation due to medical reasons from this requirement. While we recognize that a one-month, rather than a six-month, delay may be an administrative simplification, we do not see a one-month delay as an effective deterrent to the kind of separation that occurs primarily for reasons of financial advantage—the kind that gave rise to the original restriction. Our concern is that, as a matter of social policy, we should not support any provision which might hasten, in any way, the break-up of SSI couples.

CHILD WELFARE PROVISIONS

I am please to have this opportunity to express my enthusiastic support for most of the child welfare provisions of H.R. 7200. This legislation, the most important relative to child welfare in a decade, can be a giant step forward toward improving the lives of this nation's most disadvantaged and vulnerable population—the young victims of family dysfunction and disintegration. Although my remarks today will echo much of what has already been said, the situation is certainly critical enough to warrant repetition. The most important goal of the New York State Department of Social Services is to strengthen and promote the greatest asset which society has—the family. Child welfare should only be considered in the context of the entire family's welfare.

In New York State there are approximately 49,000 children, a staggering total, who are cared for away from their own homes in one or another type of foster care, at an annual cost of over $300 million. Sixty-two percent of these children are cared for in programs operated by private agencies while 38 percent are cared for directly by public agencies. There are five general types of facilities: Family foster boarding homes, for no more than six children; agency-operated boarding home for 1–6 children; group homes for 7–12 children; group residences for 13–25 children; and institutions for 26 or more children.

While over 60 percent of children are placed in family foster boarding homes, 16 percent are placed in either group residences or institutions, including residential treatment centers.

The numbers of children entering foster care have remained relatively stable since the late 1960's, but the characteristics of these children have changed dramatically. Since 1968 the percentage of children in foster care under two years of age has dropped from 18.8 to 6.4 percent. Seventy-eight percent of all children in care are six years of age or older and 30 percent are fourteen or older. The median age of all children in care rose from 8.2 in 1968 to 10.4 in 1976. Forty-four percent are non-white. Moreover, about 25 percent of the total from all age groups are emotionally disturbed, mentally retarded, physically handicapped or constitute a management problem in terms of their behavior, and the prognosis is that the number of such children coming into care will increase.

A study of children placed in foster care in New York City completed by Dr. Blanche Bernstein, now the Deputy Commissioner for Income Maintenance of the State Department of Social Services, found that almost 80 percent of these children are in care as a result of problems of their parents or families rather than child-related problems. A similar percentage was indicated in the preliminary findings of an as-yet-to-be-released Upstate companion study to the Bernstein Report. This is not to say that there won't always be a sizable number of children for whom temporary foster care will be necessary, but I am convinced that the numbers of children placed in foster care can be considerably reduced.

The two most effective weapons against children being placed or remaining in foster care for overly long periods of time are: making available the necessary preventive services such as homemaker, family counseling, or day treatment programs to insure that children are separated from their families only as a very last resort, and once it is clear that permanent separation from the family is inevitable, the child should be assured that he or she is not only freed for adoption but that every effort is made to secure a permanent and loving adoptive home for that child.

Current federal policies, particularly funding arrangements, not only do not support these goals but provide disincentives toward their implementation. Federal law and HEW regulations, albeit unintentionally, make it extremely difficult to administer a rational child welfare system at the local level.

Currently, federal funding for foster care and services comes from Title IV–A, IV–B, and XX of the Social Security Act. Most illustrative of the kind of disincentive I am referring to is that Section 408 of Title IV–A, the section that provides funds for the care, maintenance and service needs of children away from home is appropriately open-ended while Titles IV–B and XX, which provide money for services to prevent placement are closed-ended. In addition, the funds available under Section 408 are categorically limited to those children who are placed in foster care directly from families who are either in receipt of or would have been eligible for ADC and for whom judicial determinations as to the necessity of placement have been conducted. This law discriminates

against many poor families who need foster care services. While foster care placement should only be used as a last resort, when necessary, it should be equitably subsidized for all families who cannot pay the full cost. The basic approach to income eligibility should be similar to that for Title XX, e.g. setting the eligibility standard for the family at 80 percent of the state's median income. And, I would strongly oppose any proposal to cap this funding source.

Section 402 of H.R. 7200 represents a major step forward in recognizing that foster care is not simply a peculiar form of income maintenance—a subcategory of AFDC, provided for dependent children who happen to be living away from their parents. Foster care is best thought of as a means of packaging maintenance *and services* in ways that provide for a child's immediate needs, and at the same time provide an opportunity for restoration of normal family life or where appropriate, guidance of an older child toward maturity and independence. Federal funding of foster care that is tied too closely to categorical income maintenance programs inevitably tends to distort and weaken state efforts at planning and managing foster care programs in a manner that reflects this broad conception of foster care.

Preventive services

The redefinition of child welfare services contained in Section 401 to emphasize services directed toward preventing the removal of children from their homes, reuniting children with their families, and placing children in suitable adoptive homes where restoration to the natural family is not possible, as well as generally protecting and promoting the welfare of all children is indeed encouraging. But, we must not only talk of alternative services to foster care placement, we must also look for alternate and adequate funding resources for such services.

In addition to the limited amount of preventive services provided under Title XX, NYS has, for several years, appropriated almost $4 million annually to be matched with local funds to provide services to either prevent placement in foster care or hasten the return of children to their families. A recent study *A Second Chance for Families, conducted by the Child Welfare League of America* of some of these earlier preventive services projects showed that extensive services provided to both children and their families do prevent children from entering placement. The cost of providing these services is about $2,000, as compared to an average annual foster care cost of $8,000 with some institutionalized placements costing from $15,000–20,000 or more annually.

The increase in the Title XX ceiling to $2.7 billion will relieve some of the continual pressure to reduce the availability of these kinds of services which resulted from the combined impact of the $2.5 billion ceiling and the rampant inflation of the last five years. However, if we are at all serious about expanding our efforts to provide effective preventive services, the IV–B authorized appropriation must be increased to the full entitlement of $266 million as provided in Section 401. And, it should be available in federal fiscal year 1978. We cannot afford the additional foster care maintenance costs which any proposed delays of full funding of IV–B would incur. I would suggest, however, that the state plan to be submitted pursuant to this Section be mandated as a goal-oriented plan. States must be allowed the maximum flexibility in both the selection of services to be provided and delivery systems to be utilized.

Adoption subsidy

I am most encouraged by Section 503 which provides adoption subsidy monies for children currently in receipt of AFDC–FC. No single action could do more to facilitate the placement of children, particularly those with extraordinary needs, in permanent adoptive homes. However, its limited coverage (maximum of 1 year or length of time child was in foster care, whichever is longer) severely restricts its effectiveness. As Secretary Califano proposed in his testimony, the subsidy should last throughout the entire minority of the child and medicaid eligibility should follow the child. Often our "hard-to-place" children have physical or emotional problems and need intensive medical care—care that most families simply cannot afford. Medicaid should at least be available to cover any costs beyond those which private insurance companies will pay. Also, limiting coverage to length of stay in foster care will serve as an incentive to families to postpone adopting in order to lengthen the subsidy eligibility period.

In 1968 New York was the first State in the nation to enact legislation establishing an adoption subsidy program—to be fully funded with state and local dollars. Since that time, use of subsidies has steadily increased, to the betterment of both the State and its children. About 3,200 children are currently placed in subsidized adoption in New York State. The average annual cost per subsidized adoption is $2,000, again a considerable savings over the $8,000 average annual cost for foster care.

I am opposed to the provision of Section 411 which mandates that diligent efforts be made to find families willing to adopt without subsidies before subsidies can be granted. Fiscal considerations should not lead us into establishing unfair policies which give preference to wealthier families in determining appropriate adoptive homes. This policy could result in children being removed from loving foster parents who cannot adopt without subsidy and placed with total strangers on the basis of their lack of need for subsidy.

Foster care protections

I strongly support the great majority of procedural safeguards included in H.R. 7200, as well as the mandate for provision of preventive services. New York has, for several years, required the kind of judicial review that this bill now mandate nationwide and we have an effective and equitable fair hearings process. Also, as I mentioned earlier, since 1973 we have been engaged in the development and testing of a variety of approaches to delivery of preventive services, in part under Title XX but also to a large extent through additional State and local funding. Some of the programs we support, such as the Park Slope Family Reception Center in Brooklyn, are models of just how effective comprehensive, neighborhood-based preventive services can be in maintaining or restoring family security and stability. I am obliged to observe, however, that this provision will be viable and meaningful only to the extent that adequate federal funding for these services is insured.

I would suggest only a few changes in the safeguards included in H.R. 7200. First, as we in New York have sought ways to manage the country's largest foster care program, we have found the development of an adequate system for case management and case tracking to be essential, and last year our Legislature mandated establishment of such a system statewide. We believe Congress should consider providing for establishment of such systems as a component required for plan approval under 401.

Second, I would strongly urge that the states be afforded substantial flexibility in the application of these protective requirements. Local social and economic conditions—as well as choices made in the past about what kinds of services would be provided under Title XX and other programs, will strongly influence what services are now to be provided as preventive services. The existing structure of agency roles and responsibilities will do much to shape specific case management practices and procedures. In these areas, and in regard to decisions about what services are appropriate in specific circumstances, Federal law and HEW regulations must leave ample room for State and local variations.

I believe that the House has acted wisely in postponing the effective date of the proposed procedural requirements for two years, while providing the states *right now* with the resources that will be needed for delivery of necessary services and establishment of procedural safeguards. This way, HEW can formulate its judgment about exactly what regulations should be promulgated to enforce these requirements, based on a careful evaluation of state experience in working toward the overall objectives of the law and of the full range of differences among the states. Moreover, we would strongly urge that the primary means of determining state compliance with the protective requirements of Section 402 be the plan approval process established in Section 401 rather than a separate, overly detailed compliance review process.

Finally, I would like to call attention to our one serious objection to the protective provisions of Section 402, as approved by the House. This is the requirement for an independent, quasi-judicial review of the status of each child in foster care, every six months after initial placement. I am concerned that this provision is an unfortunate surrender to the seemingly ever-present temptation towards procedural overkill in federal dealing with the states. Our experience in New York indicates that the key to proper placement is adequate service delivery, adequate casework, and wise decision-making for

the child, as soon as the possible need for placement becomes evident. We have also found that intensive work in the weeks immediately after placement is critical for preventing a permanent break between the child and the family. Case monitoring and periodic case plan reviews, and the kind of judicial review mandated in Section 392 of New York State's Social Services Law, help insure that children will not become "lost" in the system. Fair hearing procedures insure that the rights of all parties—the child, the natural parents, and the foster parents—will be protected.

Although we do not claim that these systems work perfectly—far from it—we do believe that they provide an adequate procedural framework for protecting the welfare of the child. In fact, these procedures were recently found to meet reasonable due process requirements by the U.S. Supreme Court in the case of *Offer* v. *Lavine*. To add a new administrative hearing process, to be conducted every six months to this framework would result in imposition of an unnecessary burden on the states and localities. And because this kind of proceeding is expensive, it would mean diverting our limited resources away from development and direct delivery of sorely needed services. I strongly urge that this provision be eliminated. For example, in New York State this provision would require us to conduct almost 100,000 formal administrative proceedings each year—a number that substantially exceeds the total number of fair hearings held in New York for all programs of public assistance, medical care and services. If each of these proceedings costs $100—surely a very low estimate—the total cost would be about $10 million, or an amount approximately equal to the total amount of additional child welfare funding that New York would receive under H.R. 7200.

JUDICIAL DETERMINATION AND REIMBURSEMENT FOR PUBLIC FACILITIES

There are two other provisions of H.R. 7200 on which I would like to comment. The first is the Judicial Determination provision. Section 501 provides that AFDC–FC may be made without a judicial determination for dependent children voluntarily placed in foster care if there is a signed written agreement between the parent and placing agency. I wholeheartedly support this provision. All too often, we waste precious time and resources because states are being forced to process these placements through an already overburdened judicial system. The Court, in turn, rubber stamps the decision made between parent and social services official. In New York City, for example, nearly half of all placements are voluntary and the court approves over 95 percent of them. Removing these cases from the judicial process would free the courts and allow more time for catching up on the backlog of 18-month case reviews as well as allowing time for a more careful adjudication of neglect and juvenile delinquency petitions.

The second is making federal funds available to public facilities caring for 25 or fewer children. To date, public agencies wishing to provide services directly, often because it is more cost-effective as well as programmatically necessary, have been seriously discriminated against by federal funding policies. Section 502 would move toward correcting this anomaly by allowing federal financial participation for otherwise eligible children placed in publicly operated facilities serving no more than 25 residents. Since public agencies must often step in and fund such facilities in order to fill the gap between services which voluntary agencies will or are able to provide and the needs of more severely handicapped children. It is appropriate that the Federal Government share the costs for such facilities.

CHILD SUPPORT ENFORCEMENT PROGRAM PROVISIONS

New York State welcomes the intent expressed by the House in extending until September 30, 1979, Federal matching funds for the cost of child support enforcement and paternity establishment services provided to non-AFDC individuals. We strongly believe, however, that the Federal matching authority for non-AFDC services should be made a permanent part of the program. I can think of few social obligations more fundamental than that of supporting one's children; and it is clearly in the national interest to encourage the states to enforce that obligation as effectively as possible.

Because enforcing child support obligations is, in our view, such an essential social function, I do not believe that Congress should require the States to charge fees for this service to non-AFDC applicants. Many states would prefer not to charge fees; and a few weeks ago New York amended its Title IV-D State Plan to eliminate fees in the non-AFDC program.

At the same time, we recognize that it is entirely appropriate for the Federal government to give primary emphasis to provision of services to persons receiving AFDC, or who might in the future require such assistance if child support obligations are not enforced. Indeed, we in New York are especially conscious of the need to give priority to AFDC recipients. We see this as being particularly critical in large urban areas like New York City, where more than 10 percnt of the entire population is in receipt of AFDC, and where the low-income population is highly mobile. The job of establishing and enforcing the support obligation of parents of children receiving AFDC in these conditions is enormously difficult; and it is clearly in the interest of both the State and the Federal government to insure that a fully effective program of child support enforcement for the AFDC population is established as quickly as possible.

Therefore, I strongly urge that Congress limit in two ways what is required of the States in the area of services to non-AFDC individuals:

First, the States should be required to provide IV-D services only to those non-AFDC individuals whose incomes do not exceed twice the AFDC standard of need.

Second, the states should not be required to provide the full range of IV-D services to non-AFDC individuals until some future time, such as January 1, 1981. This would insure that critical personnel such as staff trained in field investigations and attorneys employed by the IV-D agency to handle support proceedings, would be able to concentrate their efforts on enforcing support obligations under the AFDC program.

I wish to emphasize once again that New York is commited to the goal of providing effective child support enforcement services to all its citizens who need them. What we are seeking is the flexibility to set as our first objective the establishment of an effective program covering the AFDC population—something that is in your interest, as well as ours.

Senator MOYNIHAN. Mr. Mayor, we welcome you, and Mr. O'Brien. Deputy Mayor Rose, would you like to join him at the table?

Mr. Mayor, as you know, we are in the midst of a hearing on a range of matters. I would just like to note before you begin, sir, that this morning at a breakfast meeting with the President, Chairman Long raised the question of the bill S. 1782, which I have introduced, and on which I believe you are going to comment. The chairman spoke of the strong prospect that this bill would have the support of this committee. This has large implications.

In a meeting I had with the President I spoke about the prospect of his endorsing this bill on the grounds that his endorsement and passage would mean a prospect for the city of funds for this fiscal year. This would enable some adjustments immediately in response to the troubles we have had last week.

I told the President that Secretary Califano had stated that the administration was against the bill on the grounds that it would give too much to New York and California. The President said to me that he had not heard of the bill. I guess that suggests he does not follow my career as closely as he might, but there are 100 of us and I am 94th in rank. There you are.

Still, he remembered that Senator Long had mentioned it. In other words, he did not say that the administration's opposition was his.

He said he would consider the matter on its merits. We may hope to hear from him shortly.

We welcome you, Mr. Mayor.

STATEMENT OF HON. ABRAHAM BEAME, MAYOR, CITY OF NEW YORK

Mayor BEAME. Thank you very much, Senator Moynihan, and Senator Long, Senator Packwood. First, I would like to express my very deep appreciation at this opportunity to thank you for the opportunity to testify to discuss Senate bill 1782.

I want to express my thanks on behalf of the city to Senator Moynihan, for taking some positive steps to help immediately.

This bill would provide states and localities with some fiscal relief from the crushing burden of welfare costs they now must bear.

The City of New York has been working toward, and it fully supports, reforming our national welfare system.

There are many inequities in the present system. It is difficult to administer, open to fraud, and too often degrading to welfare recipients.

I applaud President Carter's determination to improve the way we treat the poor in this country. The Department of Health, Education, and Welfare and the Department of Labor have been working strenuously to devise a just program of welfare reform.

My staff has been working closely with the administration on welfare reform, and I am meeting later today with Secretary Marshall on the issue, as well as with Secretary Califano tomorrow.

However, as much as we desire and urge total reform of the welfare system, we cannot overlook the immediate need for fiscal relief for local governments.

Our welfare costs in New York City are staggering. Our fiscal year 1978 budget includes $1 billion of city tax levy money for public assistance and medicaid payments.

Other local governments are saddled with equal or even greater proportions of their budgets devoted to welfare programs, although not as high a dollar amount. We believe in helping those in need. But we believe that assistance to the needy is a national rather than local responsibility.

President Carter has similarly stated this view. He sent me a letter in which he avowed that "local governments should not be burdened with the cost of welfare." He recommended Federal assumption of local governments' share of welfare costs and the phased reduction of the States' share.

The preliminary proposal now being discussed by HEW and Labor does not clearly define how local governments will be "bought out" of the welfare system. Decisions which will be made imminently on the role of State supplementation in the national plan will determine the extent to which localities could still be liable for welfare costs.

However, we in New York City, and I am sure those in other localities which pay for welfare, cannot wait for implementation of the President's program in 1981.

S. 1782 would offer $1 billion nationwide to relieve those areas with the highest welfare costs.

Furthermore, the bill would require that any State receiving such additional Federal funds would have to pass along such funds to its localities in an amount equal to the proportion of welfare costs for which localities are responsible.

While we appreciate this provision as President Carter recommended in his May 25, 1976 letter, we believe that local governments must be absolved of their welfare burden first.

States have a much broader tax base from which to pay such costs. Localities, many in worse shape than New York City in terms of numbers of poor persons, cannot afford to further tax their residents to pay for welfare.

We in New York City, for instance, have recognized the need to actually reduce taxes as incentives to business to remain in New York and help revive our economy. We feel this has already had a beneficial effect, but the pace of recovery from the recent recession in New York City still lags behind the national recovery.

When there is talk of ending a number of the economic stimulus programs which truly saved many cities of this country from economic crisis, at least give us the opportunity to help ourselves by removing the most brutally crushing burden we bear.

We need fiscal help in this area now to make our present self-help programs truly significant and effective. Therefore, I say that I completely support this bill as a step for immediate help, but what I urge is that it take care of the local problem now, and that the pass-through be in *toto* to local governments; in terms of where a State gets any part of this billion dollars, the State should pass through this billion in *toto*.

Senator MOYNIHAN. We thank you very much, sir. I know there are questions that Senator Long and Senator Packwood will want to address.

Mr. Chairman?

Senator LONG. Mr. Mayor, I have been suggesting to you—it may have slipped your mind—that if your people would tighten up on that program in New York and reduce some of the errors and problems that exist in the program that I would be willing to support something that would say that anything you can save will be of total net benefit for New York State and New York City.

I am sure you have been so busy with your many problems that my proposal did not occupy a good deal of your thoughts.

Are you aware of the fact that you could have saved a considerable amount of money already if you had taken me up on my proposition to you? It is my impression that you have saved a lot of money up there during this last year and I know it would have been a substantial amount of money for New York City if you had taken me up on what I was suggesting to you 1 year ago.

Mayor BEAME. Senator, in connection with that, when I came into office on January 1, 1974, we had an ineligibility rate of 18.3 percent. We are now, in the first 6 months of this year, estimating 8.1 percent. We have made very, very good progress in that direction.

I might point out that we brought in not only a top executive, the former chairman of the board of the Equitable Life Assurance Co. as head of that agency, but we have asked corporate executives to help. I understand that we have about 20 corporate executives giving us their time free to help, some full-time, some part-time, so a great deal of progress is being made.

We estimate that that drop in the ineligibility has probably saved $100 million total.

Senator LONG. You see, the Federal Government gets the benefit of those savings. If you had taken me up on my proposition 1 year ago, New York would have had the full benefit of it. You would have kept it all. As it was, the Federal Government got more than half of it.

You could have had it all, if you had wanted to take me up on my proposition. We could have put it over.

The figures you are giving me are very much at variance with what Secretary Califano testified to. I assume that your figures are later than his, and he would have to be looking at you to be getting the latest figures. I think his testimony was on the error rate from July to December of 1976. You are talking about the first half of 1977.

Mayor BEAME. December 1976, it was 10.2 for that 6 month period. January to June 1977 it is estimated at 8.3.

I might say, parenthetically, that New York City does not have the highest ineligible rates in this country. Baltimore and Chicago, for example, have higher error rates, and their numbers are based on less stringent rules than New York for determining ineligibility rate.

That is the rate that I am talking about, the ineligibility rate.

Senator LONG. I will read you from a memo that was just handed to me. New York preliminary findings January to June 1976 show a total projected AFDC error plus food stamp and medicaid errors resulting from AFDC errors of $306 million for 1976. Devided by the State caseload of 364,000, the average case is $70 per month in AFDC. As a result of this error, the New York City average case is $83 per month in error. Half of all New York City errors, or $126 million in 1976, were due to the fact that the father, whose alleged desertion provided its eligibility, was found living in the home and contributing enough support to render most cases ineligible for any AFDC, food stamps, or medicaid benefits.

There were 20,000 such cases projected. The city's redetermination process is almost totally ineffectual in detecting this error. 95 percent of the error in cases has required at least one redetermination, according to quality control.

I support the Moynihan proposal which would do more, I think, to help New York than any other State, and it should. I should also like, however, to call upon every State, New York in particular, to do what can be done to reduce the error rates.

In other words, insofar as it can be done, to stop this thing of people ripping us off, I would be perfectly happy to say every time you can save a dollar, you get a better run for your money, you can keep the dollar. Make it a block grant. That ought to be of substantial help in your city if we did that.

If we had done it a year ago, it would have been even more helpful.

Senator MOYNIHAN. It will teach you to improve.

Mayor BEAME. Senator, I agree with you completely that we have to avoid rip-offs. We are working towards that goal.

I do not, for a moment, believe that 10 percent, for example, in an ineligibility rate, is a good rate. Even with the 8.3 percent that we have, I think we have made substantial progress in the last

couple of years. I am hoping that we will get down to a rock bottom figure.

There have been all kinds of numbers to indicate what a rock bottom figure is. It is very difficult to get at that.

Senator LONG. Mr. Mayor, I am disappointed in my own State. In my State, Louisiana, for $908,000 in child support collections we spent $3,063,000 on administrative costs for the child support enforcement program.

Michigan spent $7 million and they collected $54 million for child support. That is an outstanding example in America of doing something to make fathers contribute to the support for their children. I am dismayed to find that my State showed such a poor result.

But New Jersey showed a far better result. $8 million in cost gets them $14 million in collections. Massachusetts makes a good showing: $3 million gets them $16 million in contributions.

I would hope that you would give that matter your personal attention and see if they cannot do a better job up there of making those fathers contribute something. They should be more effective in getting fathers to contribute, and they should take people off the rolls where the father is living right there with the family and is supporting the family. Some fathers go across the State boundary. On a reciprocal basis with the other States and cities they should pursue those fathers to make them contribute something.

Where that program is a success, most of that money stays at the local communities. It benefits them. It benefits the mother, and it benefits the children.

I would hope that you would give this matter your personal attention. There is great potential here.

Mayor BEAME. I might point out, with respect to locating absent fathers—which, of course, is a very difficult problem, we are working together with the State jointly in that action, and progress has been made. We have been beefing it up. We are certainly going to do everything we can to try to reduce that problem.

If I may go on to say, I agree there has been a problem in administration all along. I do not mean New York City alone, but every community. We have three levels of administration. You have a lot of wasted money and duplication at three levels.

That is why we say, if the Federal Government took it over, let them administer the problem as only one level of administration, and therefore, we could save hundreds and hundreds of millions of dollars and maybe higher numbers than that throughout the country and the New York area.

Senator LONG. You hope that, Mr. Mayor. But I recall the experience on the SSI. We put the Federal Government in charge of handling the SSI. They loaded all these so-called disabled people on those rolls, including people that your very able administrator up there in New York shoved on us. They took AFDC recipients, even if they were just a little bit nervous, and they declared them disabled and put them on the rolls, as many as they could give us.

All of those people on those rolls are on the rolls as disabled; they have yet to reexamine one of them. I know some of them who are working productively and usefully in society and nobody has ever taken a second to look and see if those people are disabled at all.

If we cannot do a more efficient job of administering some new program than we have with the SSI program, frankly I fear for the fate of the country. We will worry about that when the time comes.

Meanwhile, the welfare reform proposal is not going to become law tomorrow. Meanwhile, we ought to be trying to get a better result with the program we have. I have been suggesting this: any idea that might improve a program that you people have up there in New York, that is being prevented by regulations here out of Washington or by laws that do not make any sense, you ought to tell us about it and give us a chance to do something about it.

For example, in your general assistance program, you suggested it would help to ask people to do a little something to improve the community, and it has helped, I think. The testimony of the previous witness was that in New York, that has been a good idea. It worked well.

The law forbids you, they tell me, from doing that. I did not know when they sneaked in that law. I was here, but they slipped that through without my realizing it.

Under the law, they say at HEW, you cannot ask a welfare client to do any work in consideration of the money.

We should remove as many of those impediments as we can while we are working on the welfare reform program in New York City and every place else in this country. They ought to be trying to improve their program, because if you can make a welfare program work in New York City, it will work anywhere. That is the toughest place on earth to make it work.

I know you are doing the best you can under the circumstances. I gain the impression that you could do a better job. I believe you agree that you could do a better job if you had more of a free hand to do what you think ought to be done about the benefit of your people. Is that correct?

Mayor BEAME. That is obsolutely correct, not only for me, but also for all of the mayors in this country, would feel that if they had more to say about how to operate and what the regulations ought to be instead of just having to go along with whatever regulations are promulgated, we would certainly be in a better position to control the situation.

Senator LONG. If I had my way, I would go along with Senator Moynihan to provide more funds, but we will give you flexibility to do the most effective job that you think you can.

Thank you for your testimony, Mr. Mayor, it is always good to see you here. I hope that the day will come in the not too distant future that you will come here discussing New York's problems where you are in the position of the putting up end instead of the taking down end. I understand the problem. We will help you, if we can. We want to see you succeed in what you are trying to do.

Mayor BEAME. Thank you.

Senator MOYNIHAN. Thank you, Mr. Chairman.

Senator Packwood?

Senator PACKWOOD. I have no questions.

Senator MOYNIHAN. I will take one minute here to raise two questions, Mr. Mayor. First is to say to you what I said to Commissioner Shang. I think he would agree with you.

I said, the time has come for people who care about welfare to show a little indignation at its administration.

We were talking about the question of the child support enforcement provision. I have taken a look at our neighbors, at their records and at ours. Congressman Bingham, who is in the room, once pointed out to me that Rhode Island is a neighbor of New York. I have not included Rhode Island, because it does not suit my case. I left out Vermont for the same reason, but look at this:

Massachusetts collects $5.82 for every $1 of administration; New Jersey, $1.60; Pennsylvania, $6,00; Connecticut, $13. We lose $4.32 for every $1 we collect. This is so discouraging. This cannot have to do with the ecology, the climate, the population, or the economy. It has to do with us, and it is a little discouraging. But I will not press you on it.

I would just like to say something else. New York City is not the only place that can be a setting of error. Washington sometimes has that experience too.

Mayor BEAME. I have noticed that.

Senator MOYNIHAN. You quoted a letter from President Carter—then Governor Carter—sent to you on May 25, 1976. Why do I not just go back to that letter? A week ago Monday, Secretary Califano was before us and he made this statement: "The President"—I am quoting from the Secretary—"as he indicated during the campaign, believed that fiscal relief is appropriate initially locally for the States as soon as economic conditions permit."

I think the most formal commitment was made in an exchange with Mayor Beame, with the proviso "as soon as economic conditions permit." Now that was not in the same letter that you got, was it?

In your letter it says—and you quote him—that "local governments should not be burdened with the cost of welfare." Secretary Califano seems to think "locally" means the States. That is not what the President said to you, is it, Mr. Mayor?

Mayor BEAME. I think I indicated what the President said in my statement.

Senator MOYNIHAN. That is quite different from what Secretary Califano said.

Mayor BEAME. I did not hear Secretary Califano.

Senator MOYNIHAN. You were not here. A good thing, too.

Mayor BEAME. But, based on your report, I would say it was contrary.

Senator MOYNIHAN. He said that in the President's letter to you the proviso was "as soon as economic conditions permit." We have dug out your letter, at least the version we have of it. We could not find that phrase either.

We found the phrase "as soon as possible." I said to the Secretary, we thought that meant as soon as he got elected.

So you do not recall the phrase "as economic conditions permit"?

Mayor BEAME No.

Senator MOYNIHAN. There you are, error on the Potomac. I wonder what the recovery costs will be to get that record straight. Think of all of the printing that will go in, the tabulation—it is alarming.

Mr. Mayor, you have a meeting at 11:30. Is there anything else you would like to say?

Mayor BEAME. Just one point.

My staff indicates in connection with child support, there were some numbers you mentioned. We do want you to know, although we are not great, we do collect more than we spend.

Senator MOYNIHAN. Then we want to check the record.

Can I also ask you if you would submit for the record the full letter of May 25 which you received from the President?

Mayor BEAME. Yes.

[The following was subsequently supplied for the record:]

COPY OF TEXT OF LETTER DATED MAY 25, 1976 FROM FORMER GOVERNOR JIMMY CARTER TO MAYOR ABRAHAM D. BEAME

MAY 25, 1976.

MAYOR ABRAHAM D. BEAME,
Mayor of the City of New York.

DEAR MAYOR BEAME: Thank you for the opportunity of sharing views regarding the urban issues which will be considered by the Platform Committee at the Democratic Convention. I look forward to working with you so that our party will remain committed to programs that will both understand the problems of our cities and offer constructive, creative solutions for them.

In my judgment, we must begin our urban policy by recognizing the human needs of those who live in our cities. Gainful employment for everyone seeking a job must be a top priority.

Almost 85% of America's workers depend on private industry for jobs. Most of the unemployed will depend on recovery in the private sector for renewed job opportunities. We cannot afford to ignore well-designed, job related incentives to private industry to help reduce unemployment. These should take the form of:

Assistance to local governments for urban economic planning and development and to help local government encourage private industry to invest in our cities.

An expanded employment credit to give businesses benefits for each person they hire who had been previously unemployed.

As a further stimulant to private industry to hire the unemployed, the federal government should increase its commitment to fund the cost of on-the-job training by business.

Encouragement by the federal government to private industry to prevent layoffs.

I propose the following program of public employment as a necessary means of stabilizing the economic base of our communities:

An expansion of the CETA program (Comprehensive Education and Training Act) through which direct federal funds for municipal and other jobs have been provided, with administrative responsibility resting at the local level. This program was originally designed merely to combat structural unemployment in a period of mild recession. It cannot now deal with the cyclical unemployment caused by the severe recession we are in, without an expanded and strengthened role. It now provides only 300,000 jobs. It should produce at least twice this number of jobs. The 9.6% unemployment rate in our central cities could be markedly reduced by the provision of 600,000 to 700,000 public jobs to the unemployed for useful jobs near their homes, in the cities.

Passage of an accelerated public works program which would help create new jobs, 80% in the private sector and many for our young people. Federal and state governments should also share responsibility for guaranteeing bonds for public works projects.

Funds for 800,000 summer youth jobs should be provided.

Perhaps the biggest single problem created for the poor who live in our cities is the current welfare system and Welfare Reform would be the single most important action we could take.

As currently constituted, it is a crazy quilt of regulations administered by a bloated bureaucracy. It is wasteful to the taxpayers of America, demeaning to the recipients, discourages work, and encourages the breakup of families.

The system lumps together dissimilar categories of poor people, and differs greatly in its benefits and regulations from state to state. It is time that we broke the welfare and poverty cycle of our poor people. My recommendations are designed to satisfy the following goals: (a) we must recognize there are three distinct categories of poor people—the unemployable poor, the employable but jobless poor, and the working poor; (b) no person on welfare should receive more than the working poor can earn at their jobs; (c) strong work incentives, job creation and job training should be provided for those on welfare able to work; (d) family stability should be encouraged by assuring that no family's financial situation will be harmed by the breadwinner remaining with his dependents; (e) efforts should be made to have fathers who abandon their family be forced to continue support; (f) the welfare system should be streamlined and simplified, with a small bureaucracy, less paperwork, fewer regulations, improved coordination and reduced local disparities; (g) persons who are legitimately on welfare should be treated with respect and dignity.

Local governments should not be burdened with the cost of welfare. I have proposed a welfare reorganization with one fair and uniform standard of payment to meet the necessities of life, varying in amount only to accommodate variations in the cost of living from one community to another. This national program of welfare benefits would be funded in substantial part by the federal government, with strong work and job incentives for the poor who are employable, with income supplements for the working poor, and with earnings tied to encourage employment so that it would never be more profitable to stay on welfare than to work. My concept of substantial funding by the federal government would include as soon as possible the federal assumption of the local government's share and the phased reduction of the states' share. The fundamental reorganization of welfare programs will give us an opportunity to deal justly and fairly with special impact problems in order to avoid crushing burdens on any particular state.

We cannot ignore the fiscal plight of our cities. As you have testified on frequent occasions before Congressional Committees, the fiscal problems of New York City are the harbinger of similar problems for other cities. A recent authoritative survey showed the plight of our local governments dramatically. Of the cities and towns surveyed, a total of 122 began the last fiscal year with combined surpluses of $340 million and ended the fiscal year with a combined $40 million deficit. This has forced cities to raise local taxes an estimated total of $1.5 billion, or to cut back on important municipal services. These local governments experiencing fiscal difficulties, which in no way are of their own making, had to eliminate 100,000 municipal positions last year alone. The deflationary adjustments state and local governments together were required to make removed $8 billion from the economy last year. I propose the following:

Counter-cyclical assistance to deal with the fiscal needs of cities particularly hard hit by the recession. The $2 billion of counter-cyclical assistance recently vetoed by Mr. Ford is essential and affordable. In fact, it is within the budget resolutions adopted by Congress. This aid will go to create new jobs and to maintain current levels of service in hard-presed cities.

Extension of the Revenue Sharing program for five years, with an increase in the annual funding level to compensate for inflation and with enforcement of the civil rights provisions of the bill to guarantee against discriminatory use of the funds. I believe that all Revenue Sharing funds should go to the cities and that localities should be allowed to use these funds for defraying the costs of health, social services, and education, which they are currently forbidden to do.

Study the creation of a Federal Municipalities Securities Insurance Corporation to assist localities in marketing their Bonds and in reducing interest levels now faced by municipalities, and to provide voluntary self-controls in municipal financial matters.

The problems our cities are facing are compounded by their often deteriorating physical state. Housing has deteriorated enormously and new housing is often unaffordable. 1975 was the worst this nation has had in 29 years in the number of housing units constructed. Although this nation in 1968 legislated a goal of 2-½ million new housing units per year to meet current needs, last year witnessed the construction of barely 1 million units. At the same time, housing costs have risen so rapidly that only three in twenty (15%) of Amer-

ica's families can afford new housing. What is likewise appalling is that the government now has thousands upon thousands of abandoned and unused dwellings under its control and deteriorating due to bureaucratic inaction, while tens of thousands seek better shelter.

To help solve the physical problems confronting our cities, I submit the following agenda on housing which will, in addition, put back to work hundreds of thousands of unemployed construction workers and fulfill our national commitment to build 2½ million housing units per year:

Direct federal subsidies and low interest loans to encourage the construction of low middle class housing.

Expansion of the highly successful Section 202 housing program for the elderly, which utilizes direct federal subsidies.

Greatly increased emphasis on the rehabilitation of existing housing to rebuild our neighborhoods; certain of our publicly created jobs could be used to assist such rehabilitation. It is time for urban conservation instead of urban destruction.

Greater attention to the role of local communities under the Housing and Community Development Act of 1974.

Greater effort to direct mortgage money into the financing of private housing.

Prohibiting the practice of red-lining by federally sponsored savings and loan institutions and the FHA, which has had the effect of depriving certain areas of the necessary mortgage funds to upgrade themselves, and encouraging more loans for housing and rehabilitation to the poor.

Similarly, our municipal transportation systems are faced with difficult times. For the last twenty years, more than $230 billion has been spent at all levels of government for our highway system. From 1967 to 1975, expenditures from the Highway Trust Fund averaged about $4 billion per year; the Administration's 1977 fiscal year budget outlay for highways reached $7.1 billion. From the end of World War II until the middle sixties, no new major transit construction project was undertaken with public support. Cities were faced with deteriorating buses and subways and inadequate maintenance programs and schedules. Public transit ridership declined from almost 19 billion in 1946 to only 5.5 billion in 1973, reflecting the poor state of our municipal transit systems. By the end of 1974, operating deficits for existing public transit systems nationally were expected to have reached $900 million. We cannot continue to allow our mass transit systems to languish and remain a stepchild. Mass transit, if properly supported, can serve as the means to encourage increased use of our cities as places of business, shopping, and entertainment: and can correspondingly enable urban workers to reach jobs located in the suburbs: all with less pollution and energy use than the present systems of transportation.

In tandem with this program, I propose to bolster our urban transportation system by:

Substantially increasing the amount of money available from the Highway Trust Fund for public mass transportation;

Studying the feasibility of creating a total transportation fund for all modes of transportation;

Eliminating the restriction on the use of mass transit funds so that localities have the option of using those funds for operational costs, and opposing the Administration's efforts to reduce federal operating subsidies.

Achieving better highway utilization through such means as reserved lanes for bus and car pools.

Reorganizing and revitalizing our nation's railroads.

In the next six weeks, I hope we will be able to discuss these and other issues affecting our country both personally and between our staffs. If we can convince the American people of our determination to save and rebuild our urban areas on a sound, well-planned basis, then we will have laid the groundwork for a significant victory in November.

With admiration and respect for your counsel and experience, I am

Sincerely,

JIMMY CARTER.

Senator MOYNIHAN. Mr. Mayor, we thank you very much. Deputy Mayor Rose, we thank you, and we look forward to seeing you in happier circumstances.

Mayor BEAME. Thank you very much. I will look forward to it very much.

Thank you, Senator Long, for the support of this bill, and I thank Senator Packwood, too. Thank you very much.

Senator LONG. Mr. Chairman, just to provide more statistical data for people who like to study these things, I suggest that this chart and table 9 on quality control appear in the record at this point.

Senator MOYNIHAN. Without objection.

[The material to be furnished follows:]

TABLE 21.—AFDC CHILD SUPPORT ENFORCEMENT, FISCAL YEAR 1976

[In thousands]

	Administrative costs			Collections
	Total	State	Federal	
Total	$142,007.9	$37,634.1	$104,373.8	$217,606.1
Alabama	815.9	203.9	612.0	12.8
Alaska	68.7	17.1	51.6	0
Arizona	240.2	58.2	182.0	11.6
Arkansas	158.2	39.5	118.7	30.9
California	42,825.7	11,362.0	31,463.7	26,132.2
Colorado	1,292.8	323.3	969.5	1,787.4
Connecticut	479.7	119.9	359.8	6,529.5
Delaware	406.8	72.6	334.2	676.5
District of Columbia	445.5	73.9	371.6	454.7
Florida	1,680.3	420.0	1,260.3	602.1
Georgia	674.8	168.7	506.1	2,508.8
Hawaii	395.6	87.6	308.0	28.6
Idaho	400.6	100.0	300.6	995.5
Illinois	2,762.7	1,322.0	1,440.7	4,365.5
Indiana	48.5	12.1	36.4	(1)
Iowa	900.3	225.2	675.1	5,615.8
Kansas	294.5	73.7	220.8	2,045.2
Kentucky	339.4	84.9	254.5	148.1
Louisiana	3,063.3	765.8	2,297.5	908.0
Maine	413.7	103.3	310.4	961.4
Maryland	998.4	249.7	748.7	5,949.7
Massachusetts	2,879.1	719.6	2,159.5	16,329.1
Michigan	7,150.0	1,787.5	5,362.5	53,682.2
Minnesota	4,594.1	1,145.8	3,448.3	6,264.9
Mississippi	255.3	127.6	127.7	(1)
Missouri	309.9	155.0	154.9	(1)
Montana	347.3	143.2	204.1	177.2
Nebraska	276.0	64.9	211.1	85.9
Nevada	4.6	2.1	2.5	(1)
New Hampshire	96.0	24.0	72.0	645.0
New Jersey	8,529.9	1,828.7	6,701.2	13,890.9
New Mexico	370.6	92.7	277.9	522.9
New York	33,343.0	9,455.2	23,887.8	7,795.0
North Carolina	1,103.5	271.7	831.8	105.8
North Dakota	82.0	20.6	61.4	397.7
Ohio	3,287.8	824.0	2,463.8	16,285.9
Oklahoma	838.7	172.0	666.7	545.6
Oregon	3,582.5	895.5	2,687.0	947.3
Pennsylvania	2,137.0	534.2	1,602.8	12,663.8
Rhode Island	618.7	158.7	460.0	2,214.2
South Carolina	132.6	33.1	99.5	0
South Dakota	557.1	139.5	417.6	396.1
Tennessee	106.8	26.7	80.1	340.7
Texas	4,192.2	1,048.1	3,144.1	3,803.2
Utah	976.3	197.2	779.1	1,603.1
Vermont	304.8	76.2	228.6	665.0
Virginia	1,091.3	272.8	818.5	3,694.1
Washington	3,335.2	833.9	2,501.2	11,233.9
West Virginia	387.3	97.0	290.3	0
Wisconsin	2,004.5	501.1	1,503.4	3,366.8
Wyoming	61.7	15.4	46.3	150.6
Guam	16.9	4.2	12.7	1.3
Puerto Rico	177.6	44.4	133.2	(2)
Virgin Islands	152.0	38.1	113.9	33.6

[1] State under waiver until June 30, 1976.
[2] Information incomplete/not received.

Source: Department of Health, Education, and Welfare.

TABLE 9.—AFDC—CASE AND PAYMENT ERROR RATES IN 13 OF THE LARGEST CITIES (OR THEIR COUNTIES) INCLUDING STATE CASE AND PAYMENT ERROR RATES—JULY-DECEMBER 1976[1]

Case error rates

City or county (1973 census data)	Percent of State sample cases	Combined			Ineligibility			Overpayment			Underpayment		
		City or county	State with city or county—		City or county	State with city or county—		City or county	State with city or county		City or county	State with city or county—	
			Excluded	Included		Excluded	Included		Excluded	Included		Excluded	Included
United States (weighted average)			19.3	22.2		4.3	5.0		10.7	12.5		4.4	4.8
New York City, N.Y.	68.2	42.7	27.5	37.8	10.2	4.4	8.3	21.7	13.6	19.1	10.8	9.5	10.4
Cook County, Ill.[2]	73.0	29.8	20.2	27.2	7.5	2.7	6.2	19.4	15.1	18.3	2.9	2.4	2.8
Los Angeles County, Calif.[3]	41.2	14.1	16.6	14.8	1.9	2.3	2.0	7.8	9.5	8.4	4.4	4.9	4.3
San Diego County, Calif.[4]	7.2	5.5			1.1			4.4					
Washington, D.C.	100.0	42.0	42.0	42.0	13.7	13.7	13.7	22.6	22.6	22.6	5.7	5.7	5.7
Philadelphia, Pa.	41.3	33.9	19.0	25.1	6.5	4.5	5.3	24.6	10.9	16.5	2.8	3.6	3.3
Wayne County, Mich.[5]	47.3	41.3	23.4	31.1	9.3	1.6	4.9	25.7	14.5	19.2	6.3	7.3	7.0
Harris County, Tex.[6]	15.0	13.9	10.3	10.0	5.3	3.5	3.2	5.9	5.1	5.1	2.7	1.7	1.7
Dallas County, Tex.[7]	10.6	8.3			1.5			4.5			2.3		
Bexar County, Tex.[8]	12.8	5.6			.6			5.0					
Baltimore City, Md.	60.8	27.4	23.7	27.0	7.1	7.1	7.1	14.0	11.0	12.8	6.3	5.7	6.1
Marion County, Ind.[9]	23.5	5.0	8.1	7.3	.4	1.1	.9	3.2	4.9	4.5	1.4	2.1	1.9
Milwaukee County, Wis.[10]	38.4	14.2	20.6	18.2	1.9	2.2	2.1	9.3	11.7	10.8	3.0	6.7	5.3

Payment error rates

United States (weighted average)			[11] 7.0	[11] 8.1		3.8	4.4		3.2	3.7		0.8	0.8
New York City, N.Y.	67.9	14.9	[11] 7.3	[11] 12.5	9.0	4.3	7.5	5.9	3.0	5.0	1.2	1.2	1.2
Cook County, Ill.[2]	76.1	12.9	[11] 8.0	[11] 11.7	5.6	2.5	4.9	7.3	5.5	6.8	.8	.8	.8
Los Angeles County, Calif.[3]	43.1	4.9	[11] 4.5	[11] 4.4	2.0	2.0	1.9	2.9	2.5	2.5	.6	.9	.7
San Diego County, Calif.[4]	6.9	.9			.5			.4					
Washington, D.C.	100.0	18.9	[11] 18.9	[11] 18.9	11.9	11.9	11.9	7.1	7.1	7.1	1.0	1.0	1.0
Philadelphia, Pa.	42.8	11.3	[11] 6.7	[11] 8.7	5.8	4.3	4.9	5.5	2.5	3.8	.3	.5	.5
Wayne County, Mich.[5]	48.5	17.2	[11] 4.1	[11] 9.6	8.8	1.5	4.6	8.4	2.6	5.0	.8	.6	.7
Harris County, Tex.[6]	16.5	6.0	[11] 5.4	[11] 5.2	4.7	3.2	2.9	1.3	2.1	2.3	.5	.5	.5
Dallas County, Tex.[7]	11.2	4.6			1.1			3.5			1.0		
Bexar County, Tex.[8]	12.7	3.6			.5			3.1					
Baltimore City, Md.	61.4	11.0	[11] 9.7	[11] 10.5	6.5	6.7	6.6	4.5	3.0	3.9	1.3	1.4	1.4
Marion County, Ind.[9]	25.6	.7	[11] 2.7	[11] 2.2	([12])	1.0	.8	.6	1.7	1.4	.1	.3	.2
Milwaukee County, Wis.[10]	41.3	3.5	[11] 4.0	[11] 3.8	1.6	1.9	1.8	1.9	2.1	2.0	.7	.9	.8

[1] Data were extrapolated from State reports and rates were not computed by a statistical regression method. State error rates may, therefore, not be the same as shown in other tables. These 13 cities (or counties) contain 27 pct of the total U.S. caseload.
[2] Chicago—58.6 pct of county population.
[3] Los Angeles City—39.7 pct of county population.
[4] San Diego City—51.5 pct of county population.
[5] Detroit—53.6 pct of county population.
[6] Houston—70.8 pct of county population.
[7] Dallas City—59.9 pct of county population.
[8] San Antonio—84.5 pct of county population.
[9] Indianapolis—91.9 pct of county population.
[10] Milwaukee—66.4 pct of county population.
[11] Underpayments are not included since they do not represent dollars expended.
[12] Less than 0.05 pct.

Senator MOYNIHAN. We have a difficult situation. Two of our distinguished friends from New York are here. The order of testimony was that Congressman Bingham would speak first, but the practice of this subcommittee is that the person who shows up first speaks first, and I believe Congressman Rangel was he. I wonder if you two could settle in an amicable way?

STATEMENT OF HON. CHARLES B. RANGEL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. RANGEL. Suppose we testify together?

Senator MOYNIHAN. How very thoughtful, and a practical idea. We welcome, in particular, Congressman Rangel, who is our colleague on many conference committees. He is a member of the Committee on Ways and Means. Congressman Bingham, we welcome you, too.

We dare not impose our jurisdiction on your problems.

Mr. RANGEL. We work very closely in the House and the Senate. I want to thank the Chair for giving us this opportunity to share some of our views with him. I think we both want to congratulate you for the leadership you have brought to the Senate on behalf of our city and State and thank Senator Long for recognizing those great talents and giving us the opportunity to make that contribution.

We on the Ways and Means Committee have wrestled with many of the problems that we find in H.R. 7200. I would like to say that we did not believe in any of the deliberations we made that we came up with the right answer. We just searched, and, in many cases, compromised.

Some of the issues that were presented, there have been some changes made by the administration. I am not familiar with all of them, but I would like to give you the thinking of the House Ways and Means Committee as to how we reached our decision. I know the expertise of your committee will resolve it, because most of these are major thrusts that would benefit people.

In the case, as it relates to vendor payment under existing law, when recipients have been found not to be responsible in the payment of rent and other vendors, after determination having been made by the government, we had been allowed to make direct payments.

Many States, including the State of New York, have not followed the regulation as it should have. Payments were made. There was no attempt to determine whether or not that family had become responsible, and, as a result, we exceeded the 10 percent limit and is caused us to be in jeopardy of losing close to $1 million of reimbursement.

We have changed that law to make it 20 percent. Most States thought that would be more realistic and, in addition to that, added a voluntary two-party check payment which has been characterized by some as a windfall to landlords. In fact, it is voluntary. It is revocable in 30 days by the recipient and, because so many landlords are reluctant to rent to welfare recipients, this gives the oppor-

tunity to know that a certain amount of that check has been set aside for the payment of rent.

In addition to that, when the landlord does not perform on his specific contract, it allows the recipient to hold that check, not to sign that check and, at the same time, cannot cash that check and use it for other purposes.

In 7200 we provide forgiveness where the State does not follow the regulation, and in addition to that, provides for a vendor payment of a two-party check. We think it takes care of past mistakes made and in the future provides something for the recipient to help better management and better control without the Federal management being big brother.

This is specifically what Congressman Bingham would like to deal with. I hoped you would give me the opportunity to touch on some of the adoption provisions and whatnot at a later time.

Senator MOYNIHAN. Congressman Bingham?

STATEMENT OF HON. JONATHAN B. BINGHAM, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. BINGHAM. Thank you very much, Mr. Chairman and Senator Packwood. I appreciate the opportunity of appearing here. I appreciate my colleague, Congressman Rangel's courtesy in letting me speak at this time because, while I endorse the major points that are made in his testimony, I will focus on this particular problem of two-party checks.

I want to say, in my area, in the west Bronx, I think housing deterioration and housing abandonment is just about the most serious problem that we have. In consultation with Oliver Kappel, New York State Assemblyman, for whom I have the highest regard, and I know Congressman Rangel does too, who has come to the conclusion that the single most serious reason for abandonment was that so many landlords and welfare people were contributing to housing abandonment.

What happens is, some landlords will attract welfare tenants deliberately, knowing that they are going to get high rents from them, knowing that they are not going to put any services into the building. In time, they squeeze the most they can out of these poor, unfortunate people and squeeze the most out of the building and then walk away from it, and you have an abandoned building.

The other situation is, unfortunately, some of the welfare people come into the building, pay the security deposit, and never pay a month's rent and the checks that they get for what is supposed to be rent goes for other purposes.

The two-party check is really the solution to both problems because it protects the landlord and the tenant. The tenant cannot take that money unless the landlord endorses the check. If the landlord does not provide adequate services, the check can be withheld and not cashed.

New York has been using two-party checks, as indicated by Congressman Rangel, to perhaps, under strict interpretation of the rules an excessive extent, in an effort to stop this process of abandonment.

What the present bill before you provides is two-fold. One is to provide for a voluntary system of two-party checks which, in many cases, will be attractive to both landlords and tenants. It will attract the tenants because they can be assured of services and it will attract the landlords, because they will be assured of getting paid.

Then, in addition, the bill provides for, in effect, forgiveness for New York for what may have been improper payments in the past; that is, the use of two-party checks in excess of the amount allowed. The bill also provides for an increase of 10 to 20 percent in the type of vendor protection payments that are permitted under the existing legislation.

I would like to submit my written testimony for inclusion in the record, and that is really the main point I wanted to make.

Mr. Chairman, to conclude, in the judgment of Assemblyman Koppell and myself, there is nothing we can do that would be more important to try to save the deteriorating neighborhoods of our city than to permit the somewhat greater flexibility on the use of the two-party checks.

Senator MOYNIHAN. We will certainly include your statement in the record. Can you stay long enough to wait for questions?

Mr. BINGHAM. Certainly. I am at your disposal.

Senator MOYNIHAN. Should we discuss this matter now?

Mr. RANGEL. I do no think that there is any problem on this matter.

Senator LONG. Let me ask, how do you cash this two-party check? Do you make a check out to the landlord and the tenant so it has to be endorsed by both?

Mr. BINGHAM. That is correct.

Senator LONG. It sounds like a good idea. That way, the landlord knows he is going to get paid if he is keeping the property up. On the other hand, the tenant has the right to refuse to endorse the check if the landlord is not maintaining the property.

Senator MOYNIHAN. Exactly so.

Senator Curtis?

Senator CURTIS. I have no questions.

Senator MOYNIHAN. Senator Packwood?

Senator PACKWOOD. I have no questions.

Senator MOYNIHAN. I think it is clear that this committee is clearly of your view on this. I would like to add one final statement. I know that Congressman Bingham, it has to be a devastating thing to see those houses in the Bronx—I went to high school in Congressman Rangel's district in East Harlem—but if you died and went to Heaven in those days, you moved to the Grand Concourse—that is, if you were Irish, died and went to Heaven, always up to the Grand Concourse, a magnificent avenue, a real boulevard.

I was there about 3 months ago. Seymour Posner took me to see Roosevelt Gardens, which was built in the 1930's, about an eight-story solid building, with courtyard and balcony, now abandoned, burned out, gutted, ruined, right there on the Concourse. And Seymour Posner was telling me he tried to save it. He would go around and tell people who were living there, they had moved in welfare recipients—telling them please, do not set fire to your apartment; do not do it. It is crazy.

Because he would be following the welfare workers. I have no reason in the world to doubt this. The welfare workers' advice is if you have a natural disaster, you can get a lot of money to start off again in another place. A natural disaster, floods, hurricanes, fires.

We have a system so irrational that people set fire to their own houses to improve their circumstances.

Anything we can do to make that practice absurd and produce a community reaction against it, such as the two-party check—that seems to us very sensible, and we congratulate you gentlemen.

Mr. BINGHAM. May I respond on the subject of fires?

I have not had as bad a problem as others in the South Bronx. We have had a lot of fires. I do not want the committee to get the impression that that is the most common source of fires. I think the investigations have indicated that a lot of the fires are caused by addicts who get in there, build campfires. Once that building is abandoned or semiabandoned, the risk of fires is enormous. In many cases, unfortunately, it is true that the owners have been responsible for the fires to collect the insurance.

Senator MOYNIHAN. Naturally, that is the case. I was thinking of just this one particular case.

Senator LONG. With regard to that, one single point. Should we not amend the law so that a person is not going to make a profit by lighting his own house on fire? I am not unfamiliar with the problem. I used to notice along the highway in Louisiana that people would set up a tavern or something. Everytime their business started going poorly you could just figure that there was a very likely place for a fire sometime soon. The fellow would move his little business down the road to a better location. Any poor company that got stuck with the insurance policy on the place he moved away from canceled immediately, because if he still had the insurance, there would be a fire there when he moved his place of business down the road.

I am familiar with those types of situations. The law can make it advantageous for a person to engage in antisocial conduct. I think we should at least take care of that.

Mr. BINGHAM. I would agree with the principle. The difficulty is that in most of these cases it is impossible to pin down the cause of the fire.

I know I happen to have had a fire in my own home this past week, unrelated to the blackout. We do not know what caused it. It would not be possible to pin it on the tenants in a particular apartment.

Senator LONG. Should we provide an economic incentive? You cannot get an insurance policy where you can insure 100 percent of the value of the house. If a person can actually set the place on fire and make a profit out of it, it seems to me that we ought to preclude that.

Mr. RANGEL. If the gentleman would yield, a lot of the benefits come directly from the direct cause. Once you determine it is a disaster, we do not need any additional laws. Arson is one of the most severely penalized crimes that we have on our State books, especially in buildings that are occupied by people.

I am certain that what the chairman is talking about is not really as clear as it is that the party has done it. By the same token, those people who live in buildings have electric fires, live in poor communities where one fire catches the building——

Senator LONG. You do not make a profit out of it. I am not seeking to impose any great hardship on the tenant. All I am saying is you should not make a profit out of the fire.

Mr. RANGEL. If you live in one of these homes and there is a way to get out of it, that is a profit. Just being able to get out. I do not know of any statistic—the first I heard—and I know someone proposed, and they had served in the legislature, this is the first I heard—where tenants themselves would attempt to improve their condition by torching their homes. I cannot see how they can isolate it to their apartment.

Who I am concerned with is those who live in adjacent houses and have not done anything wrong but find themselves a victim of fire.

Senator MOYNIHAN. They are the victims of one person for whatever reason. This is certainly a provision for them.

Did you want to go on to talk about the other points?

Congressman Bingham, thank you very much.

Mr. BINGHAM. Thank you very much.

I might just say, before I leave, that I do want to pay tribute to the work that Congressman Rangel has done on the Ways and Means Committee. It is absolutely tremendous.

I endorse the rest of what he has to say.

Mr. RANGEL. In order to save time, I would like permission to have my entire testimony put into the record.

Senator MOYNIHAN. So ordered.

Mr. RANGEL. I would like to touch on the differences that I see between the bill on the adoption subsidy as opposed to the administration.

It seems as though the administration is attempting to determine who is eligible by fixing the income of the potential adoptive parent, where the House concentrate on what we described as the hard-to-place child, and I do not know what they mean by a simple means test on income.

I would have a problem with that. It seems to me that the administration intends to cut off those nonmedical services that a child who is institutionalized may be receiving. Even though I believe love and affection is the predominant factor that adoptive parents have in mind when they are able to adopt a child, it just seems to me, to us, that to assume the financial burden of the expenses that are directly related to that handicapped child is just asking too much, especially if you are going to place some cap on the income of that family.

I hope that the Senate looks at that very closely. I seems as though that the benefits are restrictive. There is some question about the size of the smaller homes. People from the State of New York and people from other areas believe on a per capita basis it would be very expensive to have the homes restricted to 16. They had hoped that 25 would be a more realistic number.

Senator MOYNIHAN. We have heard that testimony from a number of State officials now.

Mr. RANGEL. Of course, we are also concerned with any caps that would be placed on children on welfare that are outside of the welfare home. There is an 80 percent cap there. I believe the administration claims that it would cut down on the number of children that are put into institutions, but it has been our experience once you cut down on the amounts of money that are available to the States they cut down on the amounts of service available to those children who have found themselves in institutions.

In other areas, the requirement of having judicial review before the child is placed, and if you knew of all the casework and work that is done by our local and State departments before the child was placed, plus a voluntary agreement, or had an opportunity to be in a family court to see the judges merely following what is suggested to them by those with more expertise.

I think the administration just asked for an unnecessarily expensive step.

Senator MOYNIHAN. That also is a point that was made repeatedly yesterday by persons at every level of administration.

Mr. RANGEL. With that, Mr. Chairman, I had better quit and say, if you have any questions, I will be glad to attempt to answer than just go over observations that have been made by other people.

Senator MOYNIHAN. I was just saying that your position on the House side is shared by people who do this work around the country. That speaks well of your legislation.

Mr. RANGEL. I just wanted to give you some of the things that we had on the Subcommittee on Ways and Means and we look forward to a conference.

Certainly, whatever is decided, this is a very progressive bill, especially as it relates to adoption services, not only in the savings of dollars and cents, but to get those kinds in a permanent home, and the sympathies and support that both the Senate and the House have had. I think this is a progressive piece of legislation.

Congressman Miller of California is the person who pushed this. It is a good piece of legislation. I am glad the administration is supporting it.

Senator MOYNIHAN. We thank you, Mr. Chairman.

Senator LONG. I am glad to see you here, Mr. Rangel. I am always happy to have you over here on this side. I hope we can set the stage for a little more cooperation between us when we meet in conference on these measures.

We look forward to working with you, and I just want to point out that, as Senator Moynihan keeps saying to me, he has done a number of things to help States other than New York. He just asks that when the shoe is on the other foot that that should be remembered.

We want to help you with your problems. We do not represent New York, but we want to help you represent New York on one condition: that it has to be mutual.

Mr. RANGEL. Senator, I had a conversation with my distinguished colleague, Joe Wagonner, from Louisiana. I told him if he was willing to share some of his oil I would be willing to share some of my poverty. That never went over.

Senator LONG. We have to share it all beyond a 3-mile limit.

Mr. RANGEL. I would like to say I worked very closely with my colleague, Joe Wagonner, and we from the State of New York recognize that we have to work in a more cooperative spirit.

Anytime you and Joe Waggonner can agree on something, we can agree on this side.

Senator MOYNIHAN. Thank you very much.

Mr. RANGEL. Thank you very much.

[The prepared statements of Congressmen Rangel and Bingham follow:]

PREPARED STATEMENT OF HON. CHARLES B. RANGEL

First, I would like to take this opportunity to thank the distinguished Chairman from New York for allowing me to testify on H.R. 7200 before the Senate Finance Subcommittee on Public Assistance. The Ways and Means Committee, upon which I serve, spent many days in putting their package together, and it is my hope that the Senate Finance Committee will be in substantial agreement with our actions. I was pleased to see that the Administration supports the Foster Care Maintenance and Adoption subsidy concepts contained within the House version of H.R. 7200. While I am not fully clear as to the differences between the Administration and the House versions of the bill, I feel it is critical that the Public Assistance Subcommittee obtain as extensive an analysis as possible. I would urge you to consult the Congressional Budget Office extensively because they are well versed in the House version and have been most helpful during our deliberations. If, after careful analysis, it is shown that the Administration has done as good or better than the House version, then I would be disposed to support their proposals.

I would like to begin by discussing several issues which are unrelated to Foster Care Maintenance and Adoption subsidies. The first concerns the question of Vendor Restricted payments. Since many local welfare agencies have been called upon to pay a welfare recipient's rent when they were unable to do so because of other pressing expenditures. It was felt that increasing the number of allowable Vendor Restricted payments from 10% to 20% of the number of recipients on the rolls would give localities the necessary leeway to stop this drain on their resources. When the local welfare agency finds that it must dip into its pocket to pay a recipient's rent, they must cut back on other social service programs. Additionally, this legislation would expand the definition on restricted payments to include two-party checks—a check which is made out to the vendor of the service, but which must be signed by both the recipient and the vendor in order to be cashed.

This brings me to the second subject I would like to raise with the Committee, Voluntary Two-party Checks. The Ways and Committee wanted to address both the problem wherein many recipients find themselves unable to rent apartments because of landlord fears that recipients will not pay their rent and the problem of continued decline in housing stocks within urban centers. These have been recurrent problems. Additionally, when recipients fail to meet their rent obligations, it is left to the local government to pick up the tab with no federal or state reimbursement. This diverts funds from other social service programs and in so doing cripples programs designed to meet the needs of the underprivileged. It was felt that this problem could be remedied by allowing the recipient the option of the two-party check which must be signed by both the recipient and the vendor in order to be valid. If the service for which a two-party check has been authorized is not satisfactory to the welfare recipient, then the recipient has the option of not signing the check, and thereby denying payment for inadequate service.

It was made clear in the Committee report and on the floor of the House that neither the local welfare agency nor the vendor could use this provision to coerce the recipient into entering a voluntary two-party check agreement. In fact, the recipient may, at any time after the first thirty days, terminate the arrangement at will. Because of the voluntary nature of the agreement, the provider of the service would have no legal recourse for the recipient's action

of revocation. Additionally, language in the report specifically directs welfare agencies to notify the recipient of the voluntary nature of the two-party check agreement and the recipient's power of revocation.

This provision should not be considered a windfall for landlords, but rather a method by which recipients can obtain services which have been denied them illegally.

The third issue I would ask you to consider is section 505 of H.R. 7200 which would forgive any state or local welfare agency for their past violations of the 10% maximum on vendor payment to recipients. Because of the drain on local dollars of having to pay rent checks for delinquent recipients, localities felt that they had to circumvent the 10% restriction or they would find themselves in a situation of having to severely reduce their social service programs. If this provision is not enacted, localities will live under the threat of losing millions of dollars of federal welfare funds. For the City of New York such a penalty would cost approximately two-thirds of a billion dollars over an eight and a half year period.

And fourth, I would like to point out the provision in H.R. 7200 which would provide a cost of living increase to those SSI recipients who are institutionalized. Since the early 1970's SSI recipients who are institutionalized under Medicaid have received a $25 monthly stipend to cover their personal needs. As everyone knows, inflation has significantly erode the value of fixed incomes. We have given a cost of living increase to everyone else who receives a Social Security benefit, and I can see no reason why these people should not be entitled to one also.

As I have already said, I am pleased that the Administration has decided to support the concepts of Foster Care Maintenance and Adoption Subsidies. I would however like to point out to the Subcommittee several questions which I believe need to be addressed if we are to establish a truly workable program in this area.

First, under the Foster Care Maintenance Program, the Administration proposes to discourage institutional placements by putting an 80% cap on Federal matching funds and to require that institutional homes be limited to no more than sixteen children. While it is all well and good to desire to get kids out of institutional placements, there is little any locality can do when the demand goes up. By placing an 80% cap on such placement, the Administration is essentially saying that for those children who are long term care, services will have to be reduced. Yet, these displaced kids are exactly the ones who need social services the most because they come from broken homes. Such home environments invariably leave mental scars. Also, by limiting institutional care to homes with 16 or less children, the Administration is shrinking even further the already proposed capped Foster Care Maintenance dollar. The cost of group homes especially those in major cities has increased significantly over the past years. The percapita costs are too high to limit it to 16 children or less. Each home must hire a director, a processor of claims, a bookkeeper, a secretary, and a janitor. With sixteen kids the cost per child is just too high. Therefore, I would urge you to maintain the house provisions which would not have placed a ceiling on IV-A funding and would allow group homes as large as 25 children.

Second, the Administration proposes that while an emergency or voluntary placement in a foster care situation will be federally subsidized for three months at the end of that time a court or quasi-judicial review must be held to determine placement or the child will no longer be eligible for federal matching funds. The House on the other hand in an effort to avoid increased trauma for the child and in order to avoid clogging up the courts with what is essentially a pro-forma appearance before the bench, allows a voluntary placement only after preventive services have failed or were refused and after a voluntary placement agreement has been entered into. Since the H.R. 7200 provides for extensive requirements before a child is allowed to be placed in foster care (due proces, conditions of placement, case and dispositional reviews etc.), I cannot see how an additional mandated court appearance could help, indeed it is well possible that it would harm a child. It must be remembered that a coalition of children groups and state and local administrators backed the extensive protections that were placed in the House version. Additionally the Administration is unclear as to what qualifies as a quasi-judical hearing. If this is a full blown hearing with an administrative judge as opposed to a court proceeding, I can see little merit in its being imposed.

ADOPTION SUBSIDIES

Third, the Administration proposes an Adoption Subsidy for "hard-to-place" children which would have an income test for eligibility, establish a subsidy until majority or the adoptive family fails to meet the income test, and would provide medicaid eligibility for the conditions which existed prior to adoption. While providing an Adoption Subsidy until majority is more liberal than what the House has done, significant question which classified the child as hard-to-place is adequate. Since each state is allowed to include and exclude medical services under medicaid as they deem fit, the Administration's proposal would be more restrictive than the House version as the House specifically provides 4-B funds whatever medical condition made the child hard-to-place. In this manner we are sure that a hard-to-place child will receive the proper medical subsidy regardless of the state medicaid law involved. Furthermore, the Administration proposes a "simple income test" in order to establish family eligibility for a subsidy. Besides the fact that I have never heard or seen a "simple income test," it is my belief that many severely handicapped children who would have no hope of being adopted unless a relatively well off family were to take them will find it even harder to find a home if an income test were too restrictive.

CHILD WELFARE SERVICES

Fourth, The Administration proposes to place a cap on Child Welfare Services under Title IV-B and to phase in the $266 million dollar entitlement between now and fiscal year 1979. Additionally the States would be required to match at a rate of 75% federal monies to 25% state monies. Since the Senate Finance Committee has always understood the need for Child Welfare Services as a way to prevent the disolution of the family and to help trouble children who come out of broken homes, you have always supported full funding of IV-B. Most of the kids who come in for services come in either as abused, neglected, or as Persons in Need of Supervision and are in critical need of assistance. Traditionally, when the federal government has place a cap on a program the states have reacted by limiting eligibility. Unless these troubled kids are helped while they are young and maliable, the likely prospect is that they will enter the system at some later date for criminal activity at a much greater cost to society.

If it is the Administration's intention by phasing in the cap ($56 present funding plus $63 million in additional funds in FY '78) to eliminate federal regulation of the states, I am not sure that they have achieved their objective. While $56 million is ear marked for the continuation of present services, the additional $63 million is to be used to establish computer systems and service improvement plans. The remaining $146.5 million would only be released upon a showing that such improvements had been made. However, if a state were to decide not to make such improvements they could keep the money, but would lose their eligibility for the additional $146.5 million. Under the House version the states would have to meet criteria for preventive and restorative services in order to continue to receive funds. While the criteria are not very different, under either provision the federal government would have to examine the states in order to establish eligibility for funding. In the mean time, the states under the Administration's plan would not be receiving $116.5 million a year and would only have enough money to continue present services and would have to discontinue any plans for expansion of social services until FY 1979.

While I am generally pleased by the Administrations support for the concepts involved in H.R. 7200, it is my feeling that they have tried to fit into convenient pegs programs which must be tailored to the specific needs of the recipients. I am sure that the Public Assistance Subcommittee will carefully scrutinize the proposals that they have before them and report legislation which will be the best interests of the children this bill is intended to serve.

PREPARED STATEMENT OF HON. JONATHAN B. BINGHAM

I am pleased to have this opportunity to testify on H.R. 7200, the Public Assistance Amendments of 1977.

I welcome this chance to add my views to those of my distinguished colleague and fellow New Yorker, Congressman Charles B. Rangel. Congressman Rangel, as a member of the House Ways and Means Committee, was a key participant in shaping this bill. He was instrumental in getting many of the needed changes in our complex public assistance programs incorporated in H.R. 7200.

I wish to discuss today the provisions of H.R. 7200 dealing with restricted vendor payments. These provisions address the fiscal problems of the recipient and vendor, protecting all, as well as assuring the taxpayer that recipients are not only assured services, but the money will be properly spent.

H.R. 7200 would increase from 10 to 20 percent the number of AFDC recipients in a state for which some portion of AFDC assistance may be furnished as protective payments to a concerned individual caring for the beneficiaries or a provider of goods or services and would allow the recipient to request housing and utility payments in the form of two-party checks to the recipient and the provider.

We are all aware that the monthly public assistance grant provides recipient families with monies barely adequate to meet basic needs. At this subsistence level money management skills are a necessity. Yet many recipients lack both the necessary tools, checking accounts, payroll deductions, etc., and the budgetting skills most of us take for granted to make the monthly grant meet all the family obligations.

Increasingly, recipients are defaulting on obligations which involve large expenditures such as rent and utilities. As a result, states are forced to make duplicate payments to avoid eviction of the tenant or the closing off of utilities, at a substantial cost to the taxpayers. Frequently, the client moves, often not paying rent or utilities that are owed several months in arrears at a considerable loss to the landlord or utility. Landlords so treated become reluctant to rent to welfare tenants, or will rent to welfare tenants only at rentals much higher than the general market.

In some cases landlords, anxious to make a fast profit and then let the building go, will deliberately load up a building with high rented welfare tenancies, squeeze out as much as they can, reduce services and finally walk away.

These and other difficulties lead a whole neighborhood into ever faster decay. In the Bronx the collection problem has contributed to a sharp decline in property values, where assessments have declined more than 30 percent in many areas.

The collection problem is compounded because dispossess actions against recipients take several months in the courts, and even if they are successful the landlord is unlikely to recover the back rent. The loss of even a few thousand dollars can be devastating to apartment buildings operating on a thin margin. A handful of tenants who fail to pay their rent can hold the survival of buildings in their hands. The inability of landlords to collect from non-paying welfare tenants has become a fundamental cause of owner abandonment and ultimate demolition of residential property in my district.

The provisions of H.R. 7200 dealing with restricted vendor payments would give the states the way to cope with these problems.

The provision which legalizes the two-party check procedure established in New York to protect both landlords and tenants is of particular importance and follows recommendations I made when H.R. 7200 was considered in the House. The two-party check procedure will allow tenants to withhold rental monies if proper services are not provided but not allow them to spend the monies for other purposes.

The voluntary procedure in the bill which allows recipients to request housing and utility payments in the form of two-party checks would be authorized for a two year trial period. To insure against coercion, a recipient could revoke the two-party check procedure on a monthly basis or withhold the checks and return them if basic services in question are not provided.

In addition the legislation would raise the arbitrary 10% limit for vendor restrictive payments to 20%. The 10% limit is highly unrealistic especially in a city such as New York. A study released by the New York State Office of Welfare Inspector General in February 1977 found that in New York City on an annual basis at least 51,300 welfare recipients were in rent arrears for more than a month, representing a total of $97 million yearly. At some point in

their rental history, at least 26.6 percent of welfare recipients are the subject of dispossess proceedings, and 2.5 percent will receive eviction notices.

Although the 20% limit is better than the present 10% limit, especially coupled with the voluntary two-party check provision, I would prefer to see its complete elimination.

In other Federal programs restrictions or limitations on payments have been governed by circumstances and/or recipients' choice rather than an established percentage. As an alternative to a maximum limit I would propose that each state develop a plan specifying those circumstances when vendor restrictive payments would be allowed. In this way, the states through their own system and depending on their unique problems, would be able to provide adequate guidance to welfare recipients on how to manage their funds. If the recipients show they cannot or if economic conditions are such that they are unable to handle the situations then and only then would they be placed on a vendor payment basis.

In summary I believe it is vitally important to insure that welfare rents are used as rent. Such a position in no way compromises the obligation of the landlord to provide needed services. We must put an end to the condition which now exists in New York, where thousands of apartments are being abandoned by their owners because of an inability to collect rent and a consequent inability to maintain the buildings. The spectre of abandonment is destroying neighborhoods in all parts of New York and threatening the very viability of the Bronx.

The provisions of H.R. 7200, I hope, would open more housing to needy families by encouraging landlords to accept welfare tenants. Also, by improving the procedure for payment of rents by welfare clients, we could help reverse the trend toward housing deterioration and abandonment.

I hope these provisions will be approved by your Subcommittee and by the Senate and signed into law.

Senator MOYNIHAN. Mr. Abe Lavine, executive vice president of the Jewish Child Care Association of New York, who is speaking on behalf of the Child Welfare League of America.

Senator LONG. Mr. Chairman, I will have to leave, but I will take these statements with me. I appreciate the testimony you have brought here.

Senator MOYNIHAN. It is a personal pleasure to have Mr. Lavine with us. I am happy to be associated with you again.

Will you introduce your associates?

Mr. LAVINE. My associate is Betsy Cole from the North American Center on Adoption.

Senator MOYNIHAN. We welcome you, Miss Cole.

STATEMENT OF ABE LAVINE, EXECUTIVE VICE PRESIDENT, JEWISH CHILD CARE ASSOCIATION OF NEW YORK, ON BEHALF OF THE CHILD WELFARE LEAGUE OF AMERICA, ACCOMPANIED BY BETSY COLE, NORTH AMERICAN CENTER ON ADOPTION

Mr. LAVINE. I appear, Mr. Chairman, on behalf of the Child Welfare League, a national voluntary organization with approximately 380 voluntary and public child welfare affiliates in the United States and Canada.

The Jewish Child Care Association of New York is one of the oldest, largest, and most diversified voluntary child care agencies in the United States and is known nationally for its leadership in the field and its willingness to experiment with new approaches. The association provides care to approximately 2,000 children annually.

I served as commissioner of social services for New York State from 1972 to 1975. During that period, I represented the council of State public welfare administrators of the American Public Welfare Association on negotiating title XX with HEW. That may be a dubious distinction.

We thank this committee for its past leadership on these issues and for holding these hearings to address the problems of foster care and adoption in the United States. These hearings offer a promise, unmatched for a decade and a half, to set the system aright.

The proposed legislation has grown out of substantial work. A critical part of the solution—using IV-B moneys for preventive and restorative services—is a well-tested concept supported by demonstration project results. New evidence was included in an evaluation of a New York project, "A Second Chance for Families," published by the league in January 1976.

An experimental group of children receiving preventive and rehabilitative services spent an average of 94 days in foster care during the 2-year life of the project, while the children in a control group spent 118 days in care. The additional 24 days per child translated into 44 additional years of foster care for those children who did not receive preventive and rehabilitative services, and a savings of some $285,000 for those who did.

If as large a proportion in the experimental group were in placement at the end of the project as in the control group, it would have cost an estimated $1.8 million for their care during their estimated total time in placement; thus, an investment of about $1 million resulted in cost-savings of approximately $2 million.

Moreover, a higher proportion of children in the experimental group had shown improvement—62 percent versus 52 percent. It is a rare Government program improvement, indeed, where you can produce a better result with less cost.

A small preventive project has since continued. In March of this year it had served 154 children at risk of placement in 86 families. It averted placement of 112 children, or 73 percent of those served. In addition, the placement of 25 children already in care was shortened, and two youngsters were freed for adoption.

Fifteen children, or only 10 percent of a highly vulnerable group, went into placement as a necessary plan of choice. Of particular significance here is the fact that under current funding policies this one agency, with a budget of over $10 million, has only $250,000 to spend on such preventive services.

Although we are supportive of the thrust of H.R. 7200 and the administration's proposal, we have a number of specific concerns.

We are concerned about the lack of reference in the administration's proposal to the adoption information system which was part of H.R. 7200 and S. 961. This provision must be included because it provides the data base necessary for planning and implementing an improved child welfare system.

Since the early 1960's, the league has supported the concept of subsidized adoptions as an effective way to insure that hard-to-place children would find permanent parents. It contributed to a model subsidized adoption law drawn up by HEW which does not include

an income test for adoptive parents. We urge the Senate to use this principle. If an income limitation must be imposed, we suggest that it be related to the Bureau of Labor Statistics intermediate budget figures, and that sufficient flexibility be retained to make exceptions to assure that no child is deprived of a permanent home.

The subsidy statute should provide for a combination of long- or short-term money payments as well as special resources, including medical care. The vesting of a child's medicaid eligibility would be the most effective way of administering health coverage. We have reservations concerning the adoption subsidy provisions of H.R. 7200 but believe that the administration's proposal remedies most of them. The subsidy should continue for all children until a child's majority, if necessary, based on a simple annual eligibility determination.

We do not think that eligibility should be categorically related. We estimate that only about one-third of adoptable children are now on AFDC. We ask you to assure that each and every hard-to-place child who is free for adoption be qualified under the bill. Little Federal funding will be available for these children, since present title XX funds and new IV–B funds cannot be used for subsidy payments.

Maternal care services should be available to a broad group of pregnant women who are considering adoption. But the offer of health care should not be made contingent upon a woman's agreement to relinquish her infant. All mothers, especially at risk teenagers, must have decent prenatal care to guarantee that they bear healthy infants.

We ask you to assure that the report language of S. 961 be strictly enforced. HEW must monitor the States and local agencies so that the implementation of these services is totally without coercion.

The administration mentioned two options in a responsive services system for foster care children—restoration to the family or adoption. We must plan for a third approach—long-term foster care. We agree with Secretary Califano's testimony about the need to improve children's institutions and, indeed, all settings from foster family homes to group homes to residential treatment centers to large facilities, so that they are "feeling and appropriate."

The incentive offered to encourage "deinstitutionalization" is troubling. Some children must have at their disposal specialized care and the structure available in certain well-run institutions.

The case which follows illustrates the point:

Anthony, a 13-year-old boy, is now in one of our residential treatment centers together with about 90 other children who, like him, are unable to grow and develop properly without the protective care and specialized treatment only an institution can provide.

Anthony came to us after three successive foster home placements had failed. His alcoholic mother and grandmother, the only relatives, cannot provide care. When Anthony lived at home, he had a history of breaking and entering, theft, possessioon of a weapon, and other violent street gang activities.

Anthony needs and is now getting close supervision 24 hours a day, skillful evaluation of his personal deficits and assets, and planned treatment. He was mildly retarded and culturally impov-

erished, not knowing the seasons of the year or the days of the week. We discovered his capacity for commonsense judgments and his ability to distinguish between appropriate and inappropriate behavior.

His special school on the grounds of the institution provides remedial reading, constructive social and athletic outlets, and strong controls against impulsive behavior. His supervised daily life with other children is designed to strengthen his potential for living with others and for tolerating normal give and take. Plans for vocational training are underway.

All of our experience supports the assertion that Anthony could not have made it without this kind of residential treatment. Now he at least has a chance to become self-supporting.

In respect to the size of facilities, the league is clearly on record in its standards in favor of small facilities or structuring of larger facilities into smaller administrative units. In the voluntary field there are very few large facilities.

We support the implementation of a financial disincentive for inappropriate use. However, the incentive must be aimed at encouraging a variety of appropriate approaches, or the penalty provision should be deleted. We believe that the combination of well-trained staff with diagnostic skills, a well-managed tracking system, and a third-party review of placements will increase appropriate placements.

When title IV–E is capped there should be an indexing factor to account for cost-of-living increases. Since demographic factors may be altered by the decisions of the Federal Government related to abortion, the size of the total entitlement should be reexamined at a later date.

Recognizing the importance of preventive services, we endorse the administration's proposed changes in the title IV–B program. We would like to emphasize that families coming into contact with the child welfare system are not limited to low-income groups. A title IV–B without narrow eligibility criteria is the only current comprehensive services program which is available to help the middle-income population.

Title IV–B must remtain separate from title XX. Not only does the foster care problem merit the use of a distinct fundin_ ource, but if IV–B were folded into title XX, a significant portion of the funds would be diverted from child welfare services.

We are optimistic about the new, hopeful stance taken by this legislation with respect to Federal-State-voluntary cooperation. It is realistic to anticipate problems given the flexibility allowed the States. We would urge that HEW closely monitor the States' new directions in child welfare services.

Since IV–B is to be converted into a capped entitlement, a reallocation formula should be included. The title XX experience illustrates the need for such a formula.

Optimally, children's services should be an open-ended entitlement.

In order to avoid refinancing with these new Federal funds, we recommend the strong State "maintenance of effort" language included in H.R. 7200.

A bill should include a requirement of an annual State plan for the use of IV-B moneys.

In order to insure that States should not be delayed in making sorely needed improvements in their child welfare systems, we recommend that legislation mandate that guidelines for the expenditure of $63 million, included in the first funding phase, be promulgated within 90 days of enactment.

Finally, the additional $200 million for title XX should be made permanent.

We thank you for the opportunity to testify today and urge you to report out a bill that above all assures a start toward meeting our children's needs.

Senator MOYNIHAN. Thank you, Mr. Lavine.

Miss Cole?

Ms. COLE. I am pleased to meet you and pleased to be here for this hearing. At the same time, I am dismayed and a little bit depressed. This is the fourth hearing I have testified at regarding the adoption situation in the United States. My message has been a simple one in all of them. It has not resulted in a lot of action.

The message is this: We know that in the United States we are able to place all manner of children for adoption—by all manner I mean children who are seriously retarded, children who have serious physical handicaps, and large sibling groups.

We know something else. We know that adoption saves money, in addition to helping children to find a better way of life.

Even though we know how to place children for adoption—we have the technology, we know that it saves money—many children who would benefit from adoption are not being placed.

One of the reasons is that the Federal Government offers a disincentive for adoption services by making money available for children to stay in foster care homes or institutions, but does not make that same money available if the children are adopted either by foster parents or other adoptive families.

I urge you to give serious consideration to removing this disincentive by making money available for a subsidized adoption program.

The program should include coverage for all kinds of children—the hard-to-place children in particular, and prospective adoptive parents should not be discouraged by the imposition of a means test.

I think we really do need an adoption information system. I understand you have been asking a lot of questions and have not been able to get any answers. I think your experience here is really indicative of the lack of adoption information services in the United States.

HEW does not know how many youngsters have been placed for adoption. They cannot even tell you how many are in foster care.

Senator MOYNIHAN. They do not know?

Ms. COLE. They really do not know. They do not tell you what the characteristics of these children are. They cannot tell you about the incomes of the parents who would like to adopt.

Yet, we know the system is needed. A part of the system is something other than collecting data and spilling it back in reports. A part of the system is called adoption exchange, or listing service.

For example, there may be families within a given State who would like to adopt but there are no appropriate youngsters adoptable in their locality. The function of the local adoption exchange is to register those couples and in like manner to register those youngsters who are waiting for adoption. Then if there is a prospective adoptive family in upstate New York and a child waiting for a home in New York City, that youngster has a chance for adoption. Through the exchange service the family in upstate New York learns about the child's existence.

An exchange system works in much the same way State to State. There may be a youngster in California that could benefit from a home in Maine, or a home in Vermont. The exchange system is the necessary link to get them together.

California has a superb adoption system, particularly in the southern part of the State, in Los Angeles. This year they placed 850 youngsters for adoption; only 267 of them had to be with subsidy because they were able to find 583 families who were able to adopt without subsidy.

The placing of these youngsters, most of them hard to place, works out in a savings to the State of California of over $16 million, because these are youngsters that you and I know, as sure as we are sitting here, would otherwise be in foster care until they were 18.

We urge the Federal Government to make adoption subsidy available with the same money that would otherwise be spent for these children in foster care. This should be a comprehensive plan that would include adoption information systems as well as adoption subsidy.

Senator MOYNIHAN. You ask us with great persuasiveness and concern, and we thank you.

I am afraid that I have to go and vote on the defense appropriation, a different area of concern, so I will not be able to ask as many questions as I would like to. I do agree that there is a shortage of information. The seeming lack in this capital is surprising. We learned yesterday there are not 1, but 43 States in the Union that provide some subsidies for adoption. This apparently is not known in HEW.

It does not mean that it should not be national. It means that there is some experience out there that we ought to have.

I wonder, however, Mr. Lavine, would you be willing to submit for the record a copy of "Second Chance for Families"? We would like to have that as a part of our hearing.

Mr. LAVINE. Absolutely.

[The complete document may be found in the official files of the committee. The summary and conclusions of the document and the prepared statement of Mr. Lavine follow. Oral testimony continues on p. 344.]

A SECOND CHANCE FOR FAMILIES

SUMMARY

The cost of foster care has risen precipitously. Many of the children entering foster care for a presumably temporary period get locked into the system for

prolonged periods. The importance of secure, continuing relations with parental figures to the welfare and development of children has been increasingly recognized. These are among the factors that have prompted interest in programs to enhance parental competence and so to reduce placements away from home and shorten the duration of those that do occur.

In 1973 the New York State Legislature authorized the establishment and funding of demonstration projects to test the effectiveness of intensive family casework services to prevent the occurrence and recurrence of foster care placements. The services were to be limited to cases in which a social service official had determined that substitute care would be necessary in the absence of such service. Local social service districts were invited to submit plans for such demonstrations, and the Child Welfare League of America was asked to assist in structuring the demonstrations and to evaluate the results.

Locus and Timing of the Demonstration

Contracts for demonstrations were awarded to the Departments of Social Services of New York City, Monroe County and Westchester County. The New York City Department subcontracted with seven voluntary child welfare agencies with foster care programs to establish special service units for cases referred by the public department. In Monroe and Westchester Counties the demonstration units were set up within the public department to serve cases referred from other parts of the department.

The demonstration programs were initially funded for 1 year, and it was that year on which the evaluation was focused. The programs came into operation in New York City on April 1, 1974, and were evaluated through April 1, 1975. The operational period in Westchester County followed by 1 month. In Monroe County operations did not begin until August, 1974, and the study period was necessarily reduced to 9 month to permit analysis of the data along with those from the other settings. Intake of study cases to the demonstration units terminated October 1, 1974, in New York City and November 1 in Westchester and Monroe, so that every study case could have the opportunity for at least 6 months of service during the year to be evaluated.

Eligible Cases

Cases were eligible for the demonstration if at least one child of concern was under 15 years of age, had a relative available as a potential caretaking person, and was at risk of entering placement or of remaining in placement for a prolonged period in the absence of intensive service. Thus cases could be drawn from intake or from the agency's foster care caseload. Since no objective criteria were available for determining which cases would be responsive to intensive service, each case channeled to the demonstration units was evaluated and a judgment made on whether the outcome of intensive service would be different from that of the regular service program, and whether this difference would be observable within 6 months.

Research Design

The primary objective of the evaluation was to determine the effects of the special service on the placement experience of the study children. To insure that any apparent effects of the demonstration service were in fact attributable to the special service, eligible cases were assigned randomly to the demonstration program (experimental cases) or to the regular program (control cases), with a ratio of two experimental cases to one control case. A secondary objective was to determine the characteristics of the cases and of the service input that were associated with different outcomes.

Extensive baseline information on each experimental and control case was obtained from a schedule completed by the caseworker as a basis for determining eligibility for inclusion in the project. Outcome data were also obtained on each case at the time of case closing or at the end of the study period. This information, which covered many aspects of the functioning and circumstances of the children and their families, was supplemented by data on the whereabouts of the children on October 1, 1975.

Detailed Monthly Service Schedules were submitted on cases in the experimental group. On the control group, whose identity was not to be emphasized, since this could affect case handling, summary data on service input were reported on the Outcome Schedule.

The Study Group

A total of 549 cases, involving 992 children of concern, were admitted to the project. Of these cases 354 (or 64%) were so-called "Preventive" cases, as the children had not yet been admitted to long-term foster care, and 195 (or 36%) were "Rehabilitative" cases in which the objective was to accelerate return home or adoptive placement, or to avert reentry into foster care. (Case selection was planned with a view to having the Preventive cases compose at least 60% of the total study group.) New York City contributed 389 cases, Westchester County 91, and Monroe County 69.

The mother was the only parent in the household in over two-thirds of the cases. The families were relatively large, with an average of 3.1 children. Over half the mothers were black, about a third white and 18% Hispanic. Nearly half were Protestant, and most of the rest Catholic. Only a third of the families were considered to have an adequate income, and six out of 10 were receiving public assistance. A third had inadequate housing, and for only a small proportion was the emotional climate of the home rated as good.

The study group consisted of multiproblem families, but an emotional problem or mental illness of a parent was the single factor most often considered the primary problem underlying the need for placement (29%). In two-thirds of the cases the primary problem lay in some aspect of the parents' functioning. Problems regarding the child (14%), family relationships (11%) or the environmental situation (8%) accounted for the rest. The mothers presented, on the average, problems in five out of 12 areas of functioning, and fathers about the same number.

The median age of the 992 study children was 6 years. The children had fewer and less severe functioning problems than did their parents. Difficulty in relations with parents was by far the most common, followed by behavior problems and school difficulties. Although some aspect of the child's functioning was the primary problem in only 14% of the cases, it was a factor in the placement needs of 35% of the children.

The families in the Preventive group requested, on the average, two types of service. Counseling was sought by nearly four out of five families and placement was requested by one out of three. (Similar information was not obtained on the Rehabilitative cases, which had already been receiving foster case service for a considerable time.)

Of the baseline characteristics on which information was obtained, the experimental and the control cases differed significantly on only two. The mothers in the control cases had more functioning problems (5.5 versus 4.9), and more of the children in the control group than in the experimental group were considered to be facing imminent placement (21% versus 15%), rather than placement within 6 months (25% versus 34%).

The differences were few enough and small enough for the groups to be regarded as well matched, the intent of the random assignment. Baseline differences were much more marked between the Preventive and Rehabilitative subgroups, and between the New York City and upstate samples, than between the total experimental and control groups.

The Preventive and Rehabilitative cases differed by definition, in that the issue in the Preventive cases was a recent or an anticipated placement while the issue in the Rehabilitative cases was a long-term placement. The two subgroups differed on a number of characteristics, with many of these variations reflective of the basis for their entry into the project.

The New York City and upstate (Monroe and Westchester) cases also differed markedly from each other. A higher proportion of the New York City families were black or Hispanic and had inadequate income and housing, and they had nearly three times as many children already in placement. The upstate families on the other hand, were reported as having more, and more severe, problems in parental and child functioning. Upstate workers anticipated that more services would be provided under the regular program than did New York City workers.

Services Provided to Experimental and Control Cases

Both the cases assigned to the demonstration and to the regular program were open, on the average, about 8½ months during the project year, but those in the demonstration program received a great deal more service than those in the regular programs. The experimental cases received many more service con-

tacts than the control cases; twice as many interviews were held with the mothers and four times as many contacts were made with collaterals. The experimental cases received more types of service than the control cases, with the central service of casework counseling supplemented by a variety of practical services. The differences between experimental and control cases in quantity of service were much more marked in New York City than upstate, where the control cases received a considerable amount and range of service.

In the experimental cases the workers much more often identified one of the services as making a substantial contribution to progress in the case, and that service was usually counseling, which the demonstration staff regarded as essential to the delivery of other services. Less often in the experimental cases were needed services not provided. The caseworkers judged the service to have been more helpful in the experimental cases, a difference greater for New York City than upstate but significant in both locations.

Greater detail is available on the services provided to the experimental than to the control group. Nearly two-thirds of the interviews with adult family members in the experimental cases were held in the families' homes. Their subject matter was principally the parents' functioning in the parental role, the parents' own behavior and emotional adjustment, the child's functioning within the family, and the child's behavior or emotional adjustment. The caseworker's role in the interview was most often that of giving advice and guidance, and providing emotional support or reassurance. In the judgment of the worker, the interpersonal relationship of worker and client was usually highly positive, with the principal client feeling liked, understood and helped by the worker.

Service was provided the experimental cases by a total of 46 different persons who occupied the 39 casework positions in the nine demonstration units. Though the caseworkers varied widely in age, race, education and experience, the typical worker was a white female between 25 and 34 years of age, with a master's degree in social work, and about 5 years of experience, usually in child welfare. The project directors differed in their opinions about the desirable education and experience, but they were unanimous about the importance of the personal qualities of commitment, warmth, flexibility, maturity and good judgment. Case aides, employed in five of the nine units, were found to be of great value, particularly in relieving the caseworkers of activities such as escort service and work with community resources.

The Outcomes of Service

The effectiveness of the intensive service provided in the demonstration units as compared with the regular program was strongly supported by the consistently more favorable outcomes for experimental than control cases.

1. The average child in the experimental group spent 24 days less in foster care than did the average child in the control group during the project days spent in foster care were, respectively, 35% and 43%.

2. Fewer of the experimental group children spent any time in foster care—52% versus 60%.

3. More of the experimental group children who were at home initially were still at home at the end of the project—93% versus 82%. Six months later the difference was even more marked—92% versus 77%.

4. More of the children who were initially in foster care had returned home by project end—47% versus 38%. At the 6-month followup the effectiveness of the demonstration service was much more strongly indicated, with the figures 62% and 43%.

5. The whereabouts of the experimental group children at project end was more often considered the desirable permanent plan, and, where the desired plan had not been achieved, workers on experimental cases were more optimistic that it would be attained within 6 months.

6. A higher proportion of the problems of children in the experimental group had shown improvement by project end—62% versus 52%.

7. Assessment of the children's well-being indicated no detrimental effects of the reduction of time in placement for the experimental group.

8. Problems of the parents were more often the focus of service in the experimental group, and improvement was reported in a much larger proportion of the problems of the mothers in this group (59% versus 36%) and in a somewhat larger proportion of fathers' problems (43% versus 38%).

9. Problems in the emotional climate of the home were much more often alleviated in experimental group cases (62% versus 36%), as were problems in relations with relatives (49% versus 34%).

10. Difficulties in the areas of income and housing more often received attention in experimental group cases, and, when they did, improvement was much more often reported (income—52% versus 35%; housing—66% versus 34—). more often reported (income—52— versus 35%; housing—66% versus 34%).

The differences between experimental and control groups were much greater in New York City than upstate, where the system made it possible for the control cases to get considerably more service than the control cases in New York City.

Financial Implications

The demonstration service cost approximately $1200 per study child, as compared with estimated annual foster care costs of close to $6600 per child.

Had the children in cases served by the demonstration staff spent as much time in foster care as their counterparts in the control group, this would have added nearly 16,000 days of foster care at a cost of approximately $286,000 during the project year alone. If as large a proportion of the children in the experimental group as in the control group had been in foster care at project end, the cost of care for the additional children until their estimated discharge date 3.9 years later would amount to a further expenditure of $1.8 million.

Factors Associated with Favorable Outcomes in the Experimental Group

Although the outcomers for the experimental group were much better than for the control group, they were by no means uniformly good for all cases. An extensive exploration of the characteristics of the cases and of the service provided did not yield a definitive picture of the kind of case most likely to respond to intensive service, nor of the precise components of effective service. It did, however, provide some clues to the factors associated with favorable outcomes.

With respect to whereabouts at the end of the project and time in care, the initial whereabouts of the child outweighs any other factor. It is much more feasible to keep a child at home than to return a child home once he or she has entered foster care, though the 6-month followup indicated that service was also effective in returning children home, given sufficient time.

The Status Index, an outcome measure based on the whereabouts of the children at the end of the project, the desirability of the whereabouts, the well-being of the children, and the problems present at the time of evaluation, was computed on each case. A number of background, problem and service characteristics of the experimental cases were examined individually and together in relation to the Status Index. The only characteristics of the family revealed by a multiple regression analysis to be predictive of more favorable outcome were having a small number of children and being a young mother of black or Hispanic ethnicity. Three problem situation factors were associated with favorable outcomes: if the problem giving rise to the need for placement did not reside in the child but in the parent or the environment, if the mother was positive in attitude toward the child's being at home, and if her own child care functioning was not severely disordered, the outlook was good for a favorable outcome.

Of the aspects of service examined, a good relationship between client and worker was the most important predictor of good outcome. If the caseworker had professional training or several years of experience, the worker's principal role in interviews with adult family members was an active one of giving advice or arranging practical services, and all needed services were provided, the promise of positive outcome was enhanced.

CONCLUSIONS

The project reported here tested and demonstrated the effectiveness of intensive family services in averting or shortening placement. It demonstrated further that this was accomplished with benefit to the children and at lower cost. It also testified to the lack of responsiveness of existing systems to the financial and housing needs of disadvantaged families. The difficulties of families in "negotiating the system" are enormous, especially in large metropolitan com-

munities. Restrictive eligibility requirements, inconsistency of regulations across systems, and misinterpretation by staff of the complex rules within which they operate posed severe and often insurmountable problems even for experienced social workers in their attempts to assist project families in utilizing theoretically available services. As mentioned in Chapter 4, special liaisons had to be set up in New York City to expedite the handling of problems in income maintenance and housing. The failure of these systems to meet family needs may well result in placement, which is costly in both human and financial terms.

Our first recommendation is, therefore, that every effort be made to modify the structure, policies and practices of the support systems of the community so that disadvantaged families are helped to use them effectively. This recommendation, we recognize, goes beyond the intent of the project, and specification of ways to implement it clearly lies beyond the competence of the research team. We cannot in good conscience, however, refrain from stressing its high priority, for in the absence of well functioning economic, housing and health provisions, child welfare and other social services are seriously handicapped in their efforts to support and enhance parental competence.

Our second recommendation is that family services, such as were provided in the project, be made available in every community in accordance with the needs of families, without restrictive eligibility requirements. We recognize that some service to assist families in performing their parental roles is currently provided by child welfare agencies in New York State and elsewhere, but it is usually provided under some other guise and at a late phase of problem development. It may be offered by the intake staff of foster care divisions and agencies, but then it is incidental to the central service of foster care and it is likely to be sought only when the possibility of foster care is under consideration. It may be offered by protective service staff, but then only to families whose child care is recognized by the community as seriously deficient. "Preventive service" is a misnomer when problems have progressed to the point of considering the removal of the child from his or her family or when parental functioning has deteriorated to the point of a complaint being lodged against the family. Beneficial results were attained in the present project even though cases were picked up at this late point, but the demonstration services were more effective in keeping children at home than returning them home and more successful with families not already long known to the child welfare system. We believe, therefore, that earlier intervention is highly desirable.

Even with early intervention, not all foster care placements will or should be averted. *When such placement is necessary, continuing service to natural families is essential.* Attention should not shift away from the natural parents to the foster parents or institution, if the parents are to be helped toward greater competence in parenting, with a view to resumption of care of their children. The relation of parent and child must be nurtured, not weakened, and parental responsibility for decisions about the child should not be abdicated.[1] Intensive service to parents is needed to effect and sustain the return of children to their families.

What are the components of such services as suggested by the experience of the demonstrations? Although there is ample room for variation in service methods and styles of operation, certain elements seem essential.

1. The preventive aspect of service should be provided on a decentralized basis, readily available to potential users and provided by staff well informed about neighborhood resources. If it is to be truly preventive, it should be offered through a service unit separate from foster care and protective services.

2. The rehabilitative aspect of the service, provided to families of children in foster care, may well be offered through the foster care unit or agency, but must give primacy to the natural families, many of whom in this study were hostile toward and distrustful of the foster care staff, since they felt excluded from decisions and pushed out of their parental roles.

3. Caseloads must be small (10–12 families) to permit close contact with families—nuclear and extended—and ample time for extensive work with other agencies and organizations.

[1] The importance of parental involvement to children's return home is documented in David Fanshel's "Parental Visiting of Children in Foster Care: Key to Discharge?", Social Service Review, IL, 4, December 1975, pages 493–514.

4. The service should be staffed by caseworkers with social work training or considerable social work experience, supplemented by case aides or social work assistants.

5. Even more important than training and experience are the personal qualities needed in staff—commitment, flexibility, warmth, good judgment and a belief in people.

6. Supplementary services such as day care and homemaker service, which are crucial supports to some families, must be readily available when needed, with their provision not contingent on eligibility requirements other than need.

7. The caseworker should operate in a coordinating and advocacy capacity as well as in a direct counseling role, to insure that appropriate services are provided. Case management and advocacy are as important as emotional support, advice on practical decisions and counseling on interpersonal problems for fragile families trying to cope with multiple problems.

8. The findings of this project suggest that better results may be achieved quickly with young families, not burdened with chronic problems and severe pathology. No characteristic, however, augured strongly against good outcome, and service factors were highly important to outcome even after the effects of background and problem factors had been taken into account. We believe it would be a gross error, therefore, to confine preventive and rehabilitative service to the most promising cases. We recommend rather that the net be spread wide. Realistic goal setting and periodic evaluation of progress can then be used to decide whether the service investment should be continued, without the injustice of screening out initially the families whose own resources may be mobilized by a concerned and active counselor and who may be most in need of this "second chance."

[The prepared statement of Mr. Lavine follows:]

PREPARED STATEMENT OF ABE LAVINE, EXECUTIVE VICE PRESIDENT, JEWISH CHILD CARE ASSOCIATION OF NEW YORK, ON BEHALF OF THE CHILD WELFARE LEAGUE OF AMERICA, INC.

My name is Abe Lavine, and I am Executive Vice President of the Jewish Child Care Association of New York, a member agency of the Child Welfare League of America, Inc. I appear today on behalf of the Child Welfare League, a national voluntary organization with approximately 380 voluntary and public child welfare affiliates in the United States and Canada.

The purpose of the League is to protect the welfare of children, youth and their families regardless of race, creed, or economic circumstances by helping agencies and their communities provide essential child welfare and social services. The League provides leadership and services to the entire child welfare field, not only to its affiliates. The League is a spokesman for all children but particularly for children at risk. As an accrediting, standard-setting agency the League provides consultation, develops standards for child welfare service, sponsors annual regional conferences, maintains an information service, publishes professional literature, and conducts research. The motto of the League is: guarding children's rights—serving children's needs.

I am currently the Executive Vice President of the Jewish Child Care Association of New York which is one of the oldest, largest and most diversified voluntary child care agencies in the United States and is known nationally for its leadership in the field and its willingness to experiment with new approaches. Jewish Child Care Association provides care to approximately 2,000 children annually. Services offered by the agency include: four residential treatment centers—one for hard to place children with multiple handicaps; 11 group residences—one of which services children with multiple handicaps, including severe physical handicaps which usually require the long institutionalization; a foster home division; a family day care service; day treatment for children with severe emotional disturbances; a day care center which mixes youngsters with a range of disabilities with children who are normal; and a diagnostic center which conducts intensive studies for placement of hard to place children referred by New York State's Family Court and the New York City Department of Social Services.

As for my background, I served as Commissioner of Social Services for the State of New York from 1972 to 1975. There I dealt directly with the problems

that are being discussed in these hearings. During that period, I had the privilege of representing the Council of State Public Welfare Administrators in negotiating with HEW, the Social Services Amendments of 1974, Title XX of the Social Security Act. I have also served in various other executive and administrative positions in the public service. Prior to my appointment to Jewish Child Care Association this year, I was a management consultant specializing in public welfare and social services.

I am accompanied by Elizabeth Cole, Director of the League's North American Center on Adoption. The North American Center on Adoption brings to bear many years of experience in the placement of special needs children.

We recognize that the issues under discussion are not new to either this Committee or to the Senate. In 1972, the authorization for Title IV-B was increased incrementally by this Committee up to $266 million for 1977 and thereafter. That action was based at least in part on data in Dollars and Sense in Foster Care, which the Child Welfare League of America published in 1971. In addition, numerous hearings, including those chaired by Senator Mondale in 1975 and Senator Cranston in 1977, have shown the need for reform of the current child welfare "non-system." The role of the House—and especially Chairman Corman, his Subcommittee, and Mr. Miller of California—has also been critical.

We commend the Administration for the positive steps that it has taken to attack this problem and to encourage the adoption of hard-to-place children. The League feels that the Administration proposal is thoughtful and goes a long way in the direction of providing the necessary tools and funds agencies need to cope with the foster care and adoption dilemma.

We also agree with Secretary Califano that, despite the efficacy of providing services to stabilize families and to restore family functioning—such as homemaker services to children and day care—these have not been offered by States. Part of the reason undoubtedly is the ceiling on Title XX. Part has to do with the small appropriations for Title IV-B. In addition, a number of States have refused to utilize available Federal funds for these services. Many States are also hampered by their State legislatures and thus have been unable to make the necessary fiscal commitments to good child welfare services. The result—due to a lack of will or a lack of funds—has been a decline in the quality of services.

The GAO reports on child welfare and foster care issues are startling proof of the need for action. They confirm the existence of the same problems outlined in the Administration's testimony last week:

States allot too little funds to preventive and restorative child welfare services.

States place children in foster care without appropriate plans.

States do not vigorously seek permanance for children in foster care.

Foster care caseloads are so high only children in crisis, emergency situations get attention.

States (with few exceptions) have neither the comprehensive child welfare plans which would assure that children's or families' needs can be met nor the administrative capacity to know what is happening within their States.

Thus, despite our past efforts, we face massive problems—problems which will require not only the interest and cooperation of the Congress and the Administration, but also the participation of the States and the public and voluntary agencies. These hearings offer a promise, unmatched for a decade and a half, to set the system aright.

The legislative ideas being discussed have grown out of substantial work by all interested parties. A critical solution that the Administration proposes—the utilization of IV-B monies for preventive and restorative services—is a well-tested concept. There has been a continuing accumulation of evidence compiled as a result of demonstration projects in this area. One evaluation of a New York project, A Second Chance For Families, was published by the League in January, 1976. It indicated that intensive family services either averted or shortened foster care placements. An investment of $500,000 resulted in cost-savings of approximately $2 million and shortened an average child's foster home placement by 24 days.

Although we are generally supportive of the thrust of H.R. 7200 and the Administration's proposal, we do have a number of specific comments about: The adoption information system; subsidized adoption; maternal care services; foster care and the need for appropriate care across the spectrum; Title IV-E funding limitation; and Title IV-B, funding and the outlook.

THE ADOPTION INFORMATION SYSTEM

When we prepared this testimony, the precise outlines of the legislative initiative to be introduced on behalf of the Administration were not available. We are concerned, therefore, at the lack of reference to the adoption information system which was part of the House bill and is part of Senator Cranston's bill, S. 961. This provision must be included because it provides the critical data base needed for planning and implementing an improved child welfare system. One of the vital elements of such a system must be an "exchange and listing service" which provides a way to join waiting, adoptable children in one locality with waiting, prospective adoptive parents, who may reside in another.

SUBSIDIZED ADOPTION

Since the early 1960's, the League has supported the concept of subsidized adoptions as an efficient and effective way to insure that children described as "hard to place" would find permanent parents. This conviction grew out of the knowledge that there were many present foster parents and other adults in the community who would adopt children if they felt they could afford it. This was particularly true in the case of adoption of children who had serious medical problems. Most private insurance carriers would not extend the adoptive parents coverage to include a child with a serious medical condition which predated the adoption.

In fact as time passed the experience of States which do have effective subsidy programs has shown that many more children have found homes because of subsidies. These experiences and the opinions of adoption practitioners from all across the United States were drawn on by the Department of Health, Education and Welfare a few years ago when HEW drafted model subsidized adoption legislation.

This model does not have an income test for prospective adoptive parents because it was felt that subsidy should be considered an incentive which is attached to all eligible children. We would urge the Senate to use the principles of this law as their drafting guide. Ninety percent of subsidized adoptions are by foster parents. Foster parents' incomes tend to be lower than many other categories of adoptive parents'. An Illinois study of foster parent applicants for adoption subsidy found the median income to be less than $10,000 a year. The average age was 53, an indication that this level may represent peak income. We believe that these characteristics of modest income and middle age hold true for foster parents in the rest of the country.

We are not, however, talking about subsidies for many "middle-income" people, and very few, if any, families with wealth. If we wish to encourage appropriate, permanent homes for children in foster care, then we must avoid any arbitrary cut off line. We cannot expect moderate income families to give up goals of higher education and other benefits for their children. They too need permanent subsidy for routine living costs for the adopted child in order to avoid undue hardship. It is important to note that sibling groups are a part of the "hard to place" category. Placing two or more children at one time places a great demand on any family's income, especially in respect to housing costs. If an income limitation is imposed, we suggest that it be set in relationship to the Bureau of Labor Statistics middle income (for a family of four) figures, but that sufficient flexibility be retained to make case-by-case exceptions to assure that no child is deprived of a permanent home.

The subsidy statute should be a broad one which provides for a combination of long or short term money payments as well as special resources, including medical care. We believe that vesting the child's Medicaid coverage would be the most efficient way of administering the health coverage. While most State medical subsidies only cover specific preexisting conditions, we ask that consideration be given to extending general medical coverage for healthy children, especially in the case of their adoption by poor low-income parents who cannot afford health insurance.

We have serious reservations about some of the adoption subsidy provisions of H.R. 7200 but believe that the Administration's proposal remedies most of them. We agree with the Administration that subsidy should not be limited just to children with medical problems but should include older children, members of sibling groups or minorities. The subsidy should also continue for all

children until a child's majority, if necessary, based on a yearly eligibility determination.

It is critical, we believe, that the Congress carefully consider how it will achieve the goal most of us agree on—a permanent home, through subsidized adoption if necessary, for every child for whom this is possible. We believe the intention is that all children who are legally free for adoption, and therefore in effect "wards of the State" and indigent, should qualify for these services and benefits. We estimate that only about one-third of those children are now on AFDC or AFDC-FC. Not all will be from poor families. The foster care population is much more diverse. We ask you to assure that each and every child who is free for adoption be qualified specifically under the bill for the benefits which would be provided under Title IV-E.

Our primary reason for supporting adoption subsidy is that it is a good way to insure that thousands more children will have permanent legal families of their own. At present the Federal government is paying, through Title XX, 75% of the service and administrative costs for many thousands more children in substitute care. Therefore, there is a secondary benefit, and this is that adoption, even with subsidy, cost less than maintaining that same child in a foster home or institution.

MATERNAL CARE SERVICES

The League, along with the Administration and Senator Cranston, supports the guarantee of medical care for a pregnant woman. We believe strongly that legislation should offer medical coverage to a broad group of women who are considering the possibility of adoption as one alternative to raising their child. We disagree that the service be restricted solely to women who are voluntarily planning to place their children for adoption. Most of the women who would be affected are at risk teen-agers who do not have the option of decent medical care and are ambivalent about the adoption decision. We urge that the offer of health care not be made contingent upon a woman's agreement to relinquish her infant. We believe that all mothers must have decent prenatal care to guarantee that they bear physically and mentally healthy infants.

We ask you to assure that the Report language of S. 961 be strictly enforced: "However, in no way does this provision require a mother to proceed with an adoption that she was planning when she received the assistance. In order to guard against any such inference of coercion, the committee bill requires the woman, before receiving services under this section, receive notice in writing that acceptance of such services does not in any way constitute an obligation to proceed with adoption. In the event that a woman assisted under this provision should decide to keep her child, it would be a clear violation of this provision for any efforts to be made to pressure her into reimbursing the agency which provided such assistance." HEW must monitor the States and local agencies to assure that the implementation of these services is totally without coercion.

FOSTER CARE AND THE NEED FOR APPROPRIATE CARE ACROSS THE SPECTRUM

A major goal of the League is a consolidated and comprehensive child welfare program which includes the necessary elements to finance and provide services related to appropriate out-of-home care in foster homes, group homes, and institutions when necessary and to facilitate, and where needed provide, subsidy for adoption. Therefore the Administration's creation of a new funding mechanism under Title IV-E is consistent with the League's goal. The extension of foster care maintenance payment for adoption subsidy is a logical step that benefits children while offering cost-savings to all levels of government. It is important to note that Title XX funds cannot be used for the adoption subsidy payment.

The Administration mentioned two of the three options in a humane and responsive child welfare system for children in foster care—restoration to the family or adoption. Realistically, all of us must plan for the third approach—the only appropriate approach for a small percentage of children—long term foster care. Some children cannot ever be appropriately served except in such care. The cases which follow illustrate this point:

Two brothers, George and Raymond, were 14 and 12, and they had a good relationship with their mother. They had no extended family able to care for

them when their mother was hospitalized as a psychotic, so they went into foster care. Their mother has periods of lucidity, but the prognosis is quite poor. The boys are very attached to their mother and see her regularly. Although they have been in foster care for two years, they do not wish to be adopted. George's goal is to finish high school, get a job, and take care of his mother. Adoption is totally inappropriate for these children.

Anthony, a 13 year old boy, is now in one of our residential treatment centers together with about 90 other children who, like him, are unable to grow and develop properly without the protective care and specialized treatment only an institution can provide. Anthony came to us after three successive foster home placements had failed. His alcoholic mother and grandmother, the only relatives, cannot provide care. When Anthony lived at home, he had a history of breaking and entering, theft, possession of a weapon, and other violent street gang activities.

Anthony needs and is now getting almost 24 hour a day supervision, skillful evaluation of his personal deficits and assets, and planned treatment. He was mildly retarded and culturally impoverished, not knowing the seasons of the year or the days of the week. We discovered his capacity for common sense judgment and ability to distinguish between appropriate and inappropriate behavior.

His special school on the grounds of the institution provides remedial reading, constructive social and athletic outlets, and strong controls against impulsive behavior. His supervised daily life with other children is designed to strengthen his potential for living with others and for tolerating normal give and take. Plans for vocational training are underway.

All of our experience supports the assertion that Anthony could not have made it without this kind of residential treatment. Now he at least has a good chance to become self supporting as was the case with Ben.

Ben, now 20 years old, entered one of Jewish Child Care Association's residential treatment centers in 1964. He had spent the first nine months of his life in the nursery of a reform school where he was born.

Two foster home placements failed because he rocked for hours, vomited nightly, and was either hyperactive or withdrawn.

When Ben arrived at our Childville Center at age 8 he was attractive, but a "mechanical boy," comfortable only with machines. He tolerated no human relationships and was preoccupied with a frightening and destructive fantasy life. Only after long, patient staff work did he gradually give up some of his protective shell. Today, Ben is preparing to leave our Childville Group Home for independent living. He works full time in the maintenance department of a large office where he is considered one of the best employees because of his expert and highly responsible performance and ability to get along with his fellow employees and supervisor.

Ben has successfully changed his "mechanical" indentity into an exceptional ability to build, invent, and repair a wide range of mechanical and electronic equipment. Still occasionally isolated, suspicious, and idiosyncratic, Ben has improved ten fold. It seems likely that he will function outside the institution and sustain himself usefully in the community.

We agree with Secretary Califano's testimony about the need to improve children's institutions, that is, all those settings from foster homes to group homes to residential treatment centers to large facilities, so that they are, in Mr. Califano's words, "feeling and appropriate."

We are troubled by the incentive offered to encourage "deinstitutionalization." Some children simply cannot be served effectively by either foster family homes or group homes. They must have at their disposal specialized care and the structure available in certain well-run institutions.

In respect to the number of children to be served in each of these kinds of settings, the League is clearly on record in its Standards in favor of smaller facilities or structuring of larger facilities into smaller administrative units. In our just-published Group Care of Children,[1] size of institution, as a group care issue, is discussed in a factual and dispassionate way. The conclusion in Group Care of Children seems to be that there are very few large (over 100) facilities today in the voluntary field serving the children we are talking about.

[1] Mayer, Richman, and Balcerzak, Child Welfare League of America, Inc., 1977. See especially pp. 142–144.

that few believe new facilities over 100 should be constructed, and that in some respects the myth of "big facilities" is the issue rather than the reality of the care system that does exist in this country.

The League supports the implementation of a financial disincentive for any inappropriate care, including inappropriate placement of foster children and believes that appropriate and effective foster family care should be encouraged. We believe that the "penalty approach"—reducing the matching rate to encourage one specific kind of care—is inconsistent with the general approach of allowing States administrative flexibility. Either the incentive must be aimed at encouraging a variety of appropriate approaches, i.e. foster family homes, group homes, residential treatment centers, and treatment oriented institutions, or the penalty provision should be deleted.

The League believes that the combination of well trained staff with diagnostic skills, a well managed tracking system, and a third party review of placements, will improve the extent of appropriate placements and decrease the probability of inappropriate care arrangements.

TITLE IV–E FUNDING LIMITATIONS

We would like to comment briefly on the funding base for these new subsidized adoption and foster care initiatives. When IV-E is capped, there should be an indexing factor to account for cost-of-living increases in services and maintenance. The indexing should reflect, at the least, Federal policy in respect to the minimum wage. Since demographic factors may be altered dramatically in the future by the decisions of the Congress, the Courts, and the Executive Branch related to abortion, the size of the total entitlement should be re-examined.

TITLE IV–B, FUNDING AND THE OUTLOOK

The basic need is to recognize the role of preventive and intensive child welfare services, as early as it is known that a child's or family's situation has begun to deteriorate. For this reason, we endorse the Administration's suggested changes in the Title IV-B program. Those recommendations coincide with the League's goal to provide the services necessary to prevent children from leaving their own homes, to provide the services necessary to return these children to their own homes where possible, to free them for adoption when this is impossible, and to fund long term foster care for those children for whom none of the above are appropriate options.

One point that we would like to emphasize is that the families and children coming into contact with the child welfare system are not limited to AFDC recipients, the working poor, or low-income groups. Two parent families with substantial financial resources may have problems which require attention by a comprehensive child welfare system. For many, those problems—and the cost of treatment—can be overwhelming. Financial and other resources are dissipated and families who "had it made" are undone. A father may be an alcoholic and unable to cope. A mother, like millions of women on AFDC, courageously tries to hold her family together. Most children are bound to suffer under such circumstances. A Title IV-B, without narrow eligibility criteria, is the only current comprehensive services program which can help the large non-poor population.

We agree that Title IV-B must remain separate from Title XX if States are to comprehensively attack the foster care dilemma. The problem merits the use of a distinct and separate funding source, the $266 million authorization for Title IV-B. If IV-B were folded into Title XX, a significant portion of the funds would be diverted from child welfare services.

In order to insure that States immediately begin to make sorely needed improvements in their child welfare systems, we recommend that legislation mandate that guidelines for the expenditure of the $63 million included in the first funding phase be promulgated within 90 days of enactment. States which quickly put in place effective program management and systems reforms should be immediately eligible for their share of the remainder of the Title IV-B allotment.

If, for instance, a State like New York which has been a pace-setter in developing foster care and adoption systems, is able to prove by October 1, 1978, that it can effectively utilize substantial new child welfare money for preventive

and restorative services, the funds should be made available immediately. If, as with our State, we have responsibly provided our share of the fiscal cost for children's services, the Federal government must be willing to move promptly.

This legislation takes a new, hopeful stance with respect to Federal-State-Voluntary cooperation. We are optimistic about improving these relationships and their effectiveness. It would be unrealistic not to anticipate problems with this program given the administrative flexibility allowed the States. Therefore, we would urge that the Federal government closely monitor the States' new directions in child welfare services.

Since IV-B is to be converted into a capped entitlement, a reallocation formula should be included, at least by FY 1979, so that the $266 million will be fully utilized each year for children. The Title XX experience illustrates the need for such a formula. Many States have been at their full Federal allotment for several years and unable to expand services while others continue to return unspent funds to the Federal Treasury.

Of course, the League feels that services so important to children's well-being should be included in an open-ended entitlement.

In order to avoid refinancing with these new Federal funds, we recommend strong State maintenance of effort language such as the language included in H.R. 7200.

A bill should include a requirement for an annual State plan for the use of IV-B monies.

Finally, the League wishes to repeat the Administration's statement that more than a $200 million increase is necessary for Title XX. We respectfully differ about making the $200 million permanent; further, we hope that Congress adds substantial additional funds to Title XX next year.

We thank you for the opportunity to testify today and urge you to report out a bill that above all assures a start toward meeting our children's needs.

Senator MOYNIHAN. If you will forgive me, I will depart and I will ask Mr. Freedman, as he is next, if he will have the kindness to stay on hand. It takes 5 minutes to go over there, learn all about the issue, concentrate, pause, and reach a decision. I will be back in 5 minutes, if you will excuse me.

[A brief recess was taken.]

Mr. FINN. Could I have your attention, please?

I am from Senator Moynihan's staff. He just called from the floor. In addition to the defense appropriation, they have brought up two treaties which, as he said, is the singular Senate function which he cannot leave, and there are a number of votes scheduled for 2 o'clock.

He saw the President this morning, which is why he started late, and he is very unhappy about the situation. But he has suggested the following, that of the remaining witnesses, we will schedule any one of you who can conveniently be here tomorrow, for the end of the morning's hearing, which was previously scheduled and which has fewer witnesses than today's.

Those who cannot conveniently be here tomorrow, please submit for the record whatever materials you brought with you as well as your telephone number so that the Senator can call you, which he said he would do in short order.

He is very sorry about this abrupt curtailment of an event that he planned to restart in just a few minutes, and I am extending his regrets and apologies. That is our situation right now.

I would be happy to try to help anyone cope, since we have not coped that well.

[Thereupon, at 12:25 p.m., the hearing in the above-entitled matter was recessed, to reconvene Wednesday, July 20, at 9 a.m.]

PUBLIC ASSISTANCE AMENDMENTS OF 1977

WEDNESDAY, JULY 20, 1977

U.S. SENATE,
SUBCOMMITTEE ON PUBLIC ASSISTANCE
OF THE COMMITTEE ON FINANCE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:05 a.m. in room 2221, Dirksen Senate Office Building, Hon. Daniel P. Moynihan (chairman of the subcommittee) presiding.

Present: Senators Moynihan, Curtis, and Danforth.

Senator MOYNIHAN. A very pleasant good morning to you. I am sorry that the hearings are opening 5 minutes late today. They opened 5 minutes early on Monday.

As you know, we were required to deal with some treaty matters yesterday at noon that went on into the afternoon, so I could not get back, nor could any other members of the panel. Some of you have been very generous in agreeing to wait over until today, and if I understand the arrangement, Mr. Henry Freedman, director of the Center on Social Welfare Policy and Law, will testify first.

Mr. FREEDMAN. May I come forward?

Senator MOYNIHAN. Indeed. We were about to hear from you yesterday. It is very thoughtful of you to be here.

I see the Center on Social Welfare Policy is based in New York and Mr. Reed is from Michigan Legal Services. It is my understanding, Mr. Freedman, that you appear in an adversary position with respect to the vendor payment provisions. We want to give you plenty of time to explain this view.

As you could tell yesterday, the disposition of this committee is to agree with the House position. On the other hand, I think it might be useful if you stated your proposition. As we have your text in front of us now, we will have it as we make our final decision. Please argue from your brief, as it were.

STATEMENT OF HENRY A. FREEDMAN, DIRECTOR, CENTER ON SOCIAL WELFARE POLICY AND LAW, NEW YORK, N.Y.

Mr. FREEDMAN. Thank you, Senator Moynihan. We appreciate the opportunity to testify this morning on H.R. 7200.

As you mentioned, both Mr. Reed, the director of Michigan Legal Services, and I have submitted detailed statements for the record and we will address only certain points that we wish to bring particularly to your attention at this time.

We are testifying, as you indicated, in opposition to a particular section, section 505(a) of H.R. 7200. That section makes two changes in the AFDC program that really must be considered separately. I think that is the key point that we want to stress in our testimony this morning.

In addition, I should also stress that section 505(a) which we will be addressing is separate from section 505(b), which is the provision which forgives the States, and particularly New York, for their past violations. We are speaking only of section 505(a) which changes the program for the future.

Senator MOYNIHAN. Can it be, sir, that you are speaking against the forgiveness of sins?

Mr. FREEDMAN. We are not speaking against forgiveness at all. We are speaking only with respect to the changes that are being made in the program for the future.

The first of those changes is the creation of a new form of payment, the so-called voluntary two-party check to landlords and utility companies. As we shall show, this constitutes a dangerous and unwarranted change in the AFDC program, in that it threatens to convert the AFDC program into a massive, perhaps even multi-billion-dollar program, of direct payments to landlords.

These payments will be made whenever a form is signed by recipients, generally upon landlord insistence.

The second portion of section 505(a) is an increase in the ceiling on restrictive payments. Under the current program, such payments are made where mismanagement of funds is demonstrated. That portion makes an increase of 10 to 20 percent of the caseload in which such payments can be made.

This latter provision is the one that New York has really been pressing for. We are particularly opposed to the introduction of the first item, the so-called voluntary two-party check.

I would like to turn first, if I may, to HEW's statement in support of section 505(a) contained in its written submission last week. The entire statement in support of this section is as follows:

> While the current limitations on vendor payments were put into the law to protect recipients from coercion and to allow them freedom to manage their own financial affairs, it is our belief that the current system denies financial management options to welfare clients available to others in our society.

Senator MOYNIHAN. What do you suppose they meant by that? This sounds like something HEW would say, "denies financial management options;" that is something that I feel I have been denied all my life.

Mr. FREEDMAN. You certainly have, Senator. We have denied this option, for example, to social security beneficiaries since 1935. The act bars any assignment of the social security check.

Why should we not allow social security beneficiaries to assign their social security check to their landlord? That way, the landlord would be sure that he would get the social security check each month and the social security beneficiary would have this financial management option.

The reason we did not do it is very clear, the same reason that we did not do it in the AFDC program. We know that creditors,

landlords and others, will have unequal bargaining power and will insist upon these assignments as a condition for providing services, and the persons to receive the benefit will not be able to get it for the benefit of themselves.

Senator MOYNIHAN. Financial management option. They meant running your own checkbook and handling your household.

Mr. FREEDMAN. That is not what HEW meant when they used that term in their statement last week. That is what I would mean by financial management option. If recipients were allowed to have the direct deposit of the check into a checking account, for example, they would still be controlling where the funds go. In that way, they would be able to exercise options. By allowing funds that were previously barred from assignment to be assigned, they are not gaining financial management options. They are losing the opportunity to be free from coercion to assign the funds over to creditors.

This is found in the civil service pensions, for example. Even wageearners are denied this option unless they work in a company town, perhaps, and live in company-owned housing, in which case the company may take the rent right out of their paycheck so they never see it.

We do not consider that to be a financial management option which would be attractive to this subcommittee.

HEW knows this very well, because it conducted an extensive, on-site study of an experiment in so-called voluntary payments in Rochester, N.Y., in the early 1970's. We have submitted that study to the subcommittee as an attachment to our statement.

That study concluded that the so-called voluntary direct payments were invariably the result of demands from landlords and utility companies. Indeed, HEW found a form lease used by Rochester landlords that provided in its first clause that a tenant who was a welfare recipient would go to the welfare office and request to be put on direct payments. We think that would be a standard form used throughout the country if this part of section 505(a) is adopted.

I would also like to point out that the so-called voluntary two-party payment provision will not only be voluntary, but will deny recipients both equal bargaining power with landlords and the benefit of important remedies created by States to improve housing conditions.

For example, under law in many States now, including court decisions in New York, tenants may make necessary repairs such as to a broken toilet or radiator which a landlord will not make in a timely fashion and deduct the cost from the rent.

If tenants are receiving two-party checks, they will not have any money. They will have a check made out to the landlord which perhaps they may choose not to turn over to the landlord, but they will not have the money to pay the plumber.

Moreover, holding back the two-party check may, in itself, be used as evidence of mismanagement of funds and lead to payments directly to the landlord by the welfare department under existing authority for direct payments in cases where there is mismanagement. Thus, New York City procedures say that failure to turn

over a two-party check will result in payment to the landlord. This may lead to a further loss of rights, not ability to assert rights.

Senator MOYNIHAN. I think we have your view here. You said that there were two provisions of 505(a)?

Mr. FREEDMAN. The other provision would increase the ceiling on involuntary vendor payments from 10 to 20 percent.

Senator MOYNIHAN. Could you explain that?

Mr. FREEDMAN. Under current law, adopted first in 1962 and amended in 1967, where a State agency finds that there has been mismanagement of funds by the recipient so as to endanger the health and well-being of the child, the State may determine to make either protective payments—that is, payments to a third party who will spend the money in the best interests of the child; or vendor payments, which are payments to a landlord, to a grocery store, or whatever.

There are safeguards built around this in terms of reexamination of the circumstances of mismanagement in providing services to educate the family, manage funds properly, allowing for a hearing to determine whether the mismanagement decision was correct, and so forth.

Because of fear and abuse of this provision, a ceiling was put in so that the number of cases in which vendor or protective payments are made because of mismanagement could not be more than 10 percent of the balance of the cases.

Senator MOYNIHAN. This refers to the State?

Mr. FREEDMAN. Each State.

Senator MOYNIHAN. This is an administrative device that says you had better not do this more than 10 percent of the time. It is highly controlled.

Mr. FREEDMAN. That is right. It has served a purpose, I might add. For example, we do have reports in a few instances in States other than New York where localities began to approach the 10 percent limit. That triggered an examination by the State agency of what was going on. What they found was that vendor payments were being made without a determination of mismanagement, essentially because the local agency began to be receptive to landlord pressures.

New York has exceeded the 10 percent limit. It has now brought itself down under that, in large part, because it was not making determinations of mismanagement.

We oppose the expansion to 20 percent because we believe it is unwarranted.

We would note that the concerns that were raised in testimony yesterday, claims that welfare recipients in New York City are not paying their rent and so forth, are addressed by the mismanagement vendor payment provision. The fact that people are not paying the rent is the evidence that New York City uses to determine that someone is mismanaging funds.

Under current law, they can put people on direct vendor payment or two-party checks.

Senator MOYNIHAN. Could you explain why New York City exceeded its 10 percent quota? I did not quite follow you.

What was the practice whereby they did this?

Mr. FREEDMAN. New York City was found by HEW to be using the two-party check device without making the finding of mismanagement.

Senator MOYNIHAN. It avoided the limit imposed by the law simply by ignoring it?

Mr. FREEDMAN. It did not avoid the limit. It violated the law in more than one way.

First, it treated as mismanagement cases, cases in which it did not make a finding of mismanagement. Second, it treated as mismanagement cases more than 10 percent of the caseload, and it was found wanting on both scores. It is failure to comply with the law which is addressed in the forgiveness of section 505(b).

Senator MOYNIHAN. As I said, time is always limited for us. I want to see that you gentlemen have as much time as possible because you are basically appearing in opposition. You are the first opposition witnesses that we have had to anything in H.R. 7200. As much as we want to hear from persons who approve of what the House has done, perhaps it is more important to hear from people who do not.

We do have a time limit on testimony, however, and I want Mr. Reed to speak, too. But could I put to you this question: if this is a bad idea, why did Congressman Rangel and Congressman Bingham come here yesterday to endorse it? Clearly it is an idea that arises in New York. I have been pressing on New York matters, because it seems to be a New York concern in particular. Certainly, Congressman Rangel is from New York.

What would you say to his testimony, and Congressman Bingham's?

Mr. FREEDMAN. I believe that it is fair to say that the initial interest of the New York agency in this area was with respect to increasing the 10 percent ceiling on mismanagement of vendor payments. This was the provision that Congressman Rangel urged upon the Ways and Means Committee.

The so-called voluntary vendor payments, which, as we contend and I think most observers would agree, puts the recipient in a position of being coerced to assigning a portion of the grant, was the result of an initiative from Michigan. Congressman Vander Jagt urged that provision. In the inevitable give and take of achieving consensus in legislation in committee, both provisions were accepted.

As Mr. Reed will testify in a moment, circumstances have changed somewhat in Michigan and it appears to us that the interest in the voluntary vendor payment provision has really lessened. At the same time, the Ways and Means Committee has accepted the provision in toto and a member of that committee, Mr. Rangel, testified here supporting that. I should add in my discussions with Congressman Rangel I have gotten the impression that he now does believe that both types of vendor payments should be allowed.

I believe, in opposition, as Mr. Reed will say, that the voluntary payments marks a radical departure in the program. I might add that it moves that program in the direction of an in-kind benefit, which is the opposite direction that we want to move in.

I do think that this is a fair statement of the current situation. I think that there is certainly opportunity at least to achieve compromise by adversary forces, as you put it, by dropping the voluntary vendor provision, which is a radical departure in the program and is not the primary interest of New York which is pressing for this legislation.

Finally, the National Council of State Welfare Administrators, representing the administrators of the various States, has opposed the voluntary vendor payment provision, and some of the other organizations testifying here have as well. I would like to stress that we are not alone. We have the National Council of State Public Welfare Administrators with us regarding this voluntary vendor payment provision.

Senator MOYNIHAN. Thank you for making that clear.

Mr. Reed?

STATEMENT OF ROBERT REED, DIRECTOR, MICHIGAN LEGAL SERVICES

Mr. REED. I would like to speak to three critical assumptions used to justify a request for a payee protection in the bill: One, the landlord needs some protection since welfare recipients regularly do not pay rent. The voluntary joint payee requirements will not harm them and it will only help them. In any case, some landlords will get some money and they will use that money for repairs.

First, whatever may be the experience in New York City, and we heard much about New York yesterday, the experience in Michigan has been that there are simply no mass of recipients who cheat on their rent. A study was completed 3 years ago in Michigan which indicated that 93 percent of the welfare recipients paid their rent within 10 days of the day that the rent was due.

I would add that that study also found that welfare recipients, in a questionnaire to landlords, were not destructive and were considered to be good tenants by their landlords. A summary of that study is attached to the written testimony in this case.

Very recently, landlords in Michigan renewed their efforts to establish a joint pay or direct payee system regarding rent, and the Detroit-Wayne County Department of Social Services established a special program, widely publicized, where landlords, individually or through their organization, could ask for vendor payments and 3 months in arrears in back rent.

They could contact a special office in the Department of Social Services. It was claimed that 30 percent of the recipients were not paying rent. A figure of 13,000 welfare cheaters was used. In fact, after 3 months, almost no recipients who were delinquent in rent were reported to the Department.

Following the release of those figures, the landlords in Detroit had dropped the request for vendor payments or joint payee checks.

When you look at the specific studies and experience in Michigan, despite the myth that occurred, there simply is no serious, widespread, nationwide problem of welfare recipients who do not pay their rent.

For those who do not pay, the mandatory vendor payment provision in the law now was available in most circumstances.

Second, there is an assumption that the use of the joint payee checks would help people budget, and not harm tenants, although even with regard to the questioning of budgeting, the fact that most tenants do, in fact, pay their rent would indicate that there is not a serious need for budgeting. There is a very serious problem, particularly for tenants in the worst kind of housing, if joint payee checks were used.

One of the reasons for that is simply the delays in changing the check from a joint payee to a single payee or to a new landlord will mean anywhere from 3 to 6 weeks at a minimum, to change that check and make it available to the tenant. For a person who is in housing, where heat goes off in the winter and you need to either move or pay the utilities to get the heat back on, there is simply nothing a recipient can do.

If someone would call your office, for example, Senator, and say, what can I do, I have no heat? All you can say is try to contact your worker. Maybe he will get through in a week. Wait 3 to 6 weeks. Maybe you can get a check and you can move.

In the interim, there really is simply nothing you can do in that regard. That is a very serious problem.

I think the person in the worst housing is not going to be benefited by the joint payment—are going to be trapped in substandard housing.

Finally, I think there is an assumption made that even though this is not a real panacea for landlords, there are not a lot of welfare cheats. Although it may harm some tenants, some landlords are going to get more money and they will use it for repairs.

I think that it would be naive to say that simply because a landlord might get some more money that that money would automatically go into repairs, as if Congress had established a program to give landlords in older, declining buildings, a block grant of money with absolutely no restrictions. Here is $10,000. I know you need repairs, so I am sure you will use it for that, even though you could pocket it and go on vacation, or whatever.

I think it would be naive to assume that that money will simply be used by landlords necessarily in those cases to make repairs.

I would add a caution on this. Under a joint payee system, when a tenant is essentially immobile for a period of time in a building, cannot assume utilities, and the landlord knows this; in a situation where there is little incentive for a landlord to make repairs, you may find less repairs than we do now, simply because under those circumstances——

Senator MOYNIHAN. It is no longer a free enterprise market.

Mr. REED. Yes. The incentive may be less to make repairs under a joint payee system than it would be now.

I would close by saying that, although most people do pay the rent, and those people who do not can be put on a mandatory vendor payment now under the bill, the use of the joint payee system will seriously affect—I think this cannot be denied—tenants in the worst housing in individual circumstances those kinds of factors would

lead to the conclusion that a joint payee would be a change, but simply a change for change's sake. It would not be a change in the right direction.

If you said what will housing be like 2 years from now under this, I think you will find, if anything, it will be worse. I would certainly be reluctant to think it was any better.

Senator MOYNIHAN. We will see what we can do. This legacy hangs on between the landlord and tenant. Come to think of it, Mr. Freedman looks a little bit like Phineas Finn.

What happens when the tenant makes improvements and the landlord raises the rent?

I have read your study and I do encourage people to come before this committee with data. The tenants in Michigan would tend to be in wooden housing or three-story brick houses. I wonder about those five- and six-story houses in Manhattan and the Bronx where we have had such a bad experience. I wonder whether it is the nature of the building or nature of the response. I do not know.

Mr. REED. Maybe New York is unique.

Senator MOYNIHAN. Well, gentlemen, I thank you both for these very thoughtful views. We have your briefs. We welcome them. It is a very good case, I think.

Is the Center on Social Welfare Policy and Law an OEO project?

Mr. FREEDMAN. It was formally funded by the Office of Economic Opportunity; yes.

Senator MOYNIHAN. Where do you get your funding now?

Mr. FREEDMAN. The bulk of the funding comes from the Legal Services Corporation, the successor to OEO. We also have private funding.

Senator MOYNIHAN. I would like to say that this is a good example of the Government building adversary proceedings into its decisions. We appreciate what you have said this morning. This might have passed us by without much consideration if it had not been for the two of you.

Thank you very much.

Mr. FREEDMAN. Thank you.

Mr. REED. Thank you.

[The prepared statements of Mr. Freedman Mr. Reed follow. Oral testimony continues on p. 376.]

PREPARED STATEMENT OF HENRY A. FREEDMAN OF THE CENTER ON SOCIAL WELFARE POLICY AND LAW

The Center on Social Welfare Policy and Law is a national office specializing in the law of public assistance programs. During the past eleven years the Center has represented many poor persons and organizations of poor persons throughout the country on various matters related to the administration of public assistance. The testimony presented today with respect to H.R. 7200, principally in opposition to § 505(a), is made on behalf of the members of the Downtown Welfare Advocate Center, New York City; The Welfare Rights Organization of Allegheny County, Pittsburgh, Pennsylvania, the Welfare Recipients League, Inc., of San Jose, California; and the Massachusetts Welfare Recipients for Welfare Reform; the Wisconsin Welfare Rights Organization, Madison, Wisconsin; the Milwaukee Welfare Coalition; the Milwaukee Tenants Union; and Utility Consumers United, Milwaukee, Wisconsin.

VENDOR PAYMENTS

Section 505(a) makes two important changes in the current law governing the manner of payment of AFDC benefits:

(1) "Involuntary" vendor payments: The current provision in the law, described below, permits direct payments to vendors or "protective payees" when an inability to manage funds is demonstrated, provided that the number of families being paid in such a manner does not exceed 10% of all other families. Section 505(a) would raise this limit to 20%. This change is sought by New York City, which has in the past exceeded the 10% limit and failed to make findings of mismanagement. We understand New York City is now under the 10% limit.

(2) "Voluntary" vendor payments: This wholly new approach would permit payment of up to 50% of the grant in the form of "two-party" checks which could be negotiated only by the landlord or utility company after countersignature by the recipient. Such payments would be initiated, and revoked, by written "request" by the recipient. Major pressure for this provision came from landlords and welfare officials in Michigan who have, as we understand it, now decided that the provision is unnecessary.

Our testimony today is divided into four parts. First, we wish to review the history of the "money payment principle" in the AFDC program, to show that Congress has been most leery of provisions such as § 505(a) in the past. Later portions of our testimony will demonstrate that Congressional fears were warranted. Second, we shall discuss HEW's tepid support of § 505(a), and show that it is not well founded and raises more questions than it answers. Third, we shall consider the many problems raised by "voluntary" vendor payments, review the possibility that recipient protections can be built in, and conclude that the provision should be deleted. Finally, we shall discuss the increase in the ceiling on involuntary vendor payments.

1. *The Money Payment Principle*

Section 505(a) raises issues that have been debated, and reviewed, over the forty-two years of the AFDC program. The basic decision was made in 1935, when Congress decided that only direct "money payments" to needy families would be permitted under the new AFDC program. This was a rejection of past practices under which agencies paid many bills directly to vendors, provided clothes through an agency store, and likewise ran every detail of a poor family's life, and a decision that families dependent on society should not be deprived of the responsibility and dignity that flow from determining how their resources—however meagre—should be allocated.

Congress realized in 1935 that poor families could easily be coerced into surrendering control over their payments to agency personnel or vendors and therefore precluded such payments. It was precisely this concern that also led Congress to make Social Security payments non-transferrable or assignable—not to limit the freedom of the persons receiving Social Security benefits, but to protect them from creditors.

In ensuing years, Congress was confronted with claims that in some instances the children's caretaker was unable to manage AFDC benefits in a manner consistent with the children's welfare. It therefore responded by permitting payments to vendors or to third party "protective payees" when such mismanagement was found to exist. This authorization was stringently restricted, however, in order to reflect the continued concern that recipients have a real choice in the use of their payments and to assure that mismanagement was the real reason such payments were made. Thus it was provided that an individual had to be given an opportunity for a hearing if such payments were to be made, that if such payments were authorized the state had to provide services to the family to help it deal with the problems that caused the mismanagement, and the state had to restore direct cash payments as soon as possible. In addition, in order to prevent abuse of this provision, it was provided that no more families than an amount equal to 10% of the caseload not receiving restricted payments could be receiving such restricted payments at any one time.

While the restricted payment provision was rarely used for a number of years, landlord pressures and agency laxness in recent years caused New York to make restricted payments to landlords without any determination of mismanagement and in excess of the 10% limit. Michigan has also violated some of the restrictions but to a much lesser extent. H.E.W.'s belated attempts to enforce both the mismanagement restrictions and the 10% limit have caused these states to seek the Congressional "forgiveness" of past violations provided for in Section 505(b) of H.R. 7200, and can of course be adopted without making the changes for the future contained in Section 505(a) of

H.R. 7200. While § 505(b) can be read by states as encouragement to violate the Act in the future, we do not oppose it since we see § 505(a) as the greater threat to recipient interests.

2. *HEW's Current Position*

Throughout this process HEW and its predecessors have strongly supported the money payment principle. HEW has made a turnabout on H.R. 7200, however, with no real explanation. There is only the following sentence in the HEW statement submitted to this Subcommittee last week: "While the current limitations on vendor payments were put into law to protect recipients from coercion and to allow them freedom to manage their own financial affairs, it is our belief the current system denies financial management options to welfare clients available to others in our society."

The first flaw in HEW's statement is its failure to claim that the present law is not serving its intended purpose to prevent coercion of recipients. It cannot make this claim, however, for its own examination of the problem shows that provisions such as § 505(a) will lead to substantial coercion. We will discuss that HEW material later, and have attached a crucial memorandum to this testimony.

Second, HEW's claim that restricted welfare payments will give recipients a "financial management option" available to others in society is simply not worthy of the agency. Certainly wage earners do not have the "option" of having their rent deducted from their wages—with the possible exception of employees living in company-owned housing in a "company town." I am sure Secretary Califano cannot mean that he is seeking to give AFDC recipients the same landlord-tenant relationship as exists in "company towns." Similarly, Social Security beneficiaries do not now have the "financial management option" of assigning their Social Security checks to their landlords. I cannot imagine that Secretary Califano would seek repeal of § 207 of the Social Security Act which bars such transfers. Secretary Califano must be called upon to explain why AFDC recipients are to be subjected to landlord coercion when Social Security beneficiaries are to be protected. We believe he has no reason—and that this Subcommittee should ask for an explanation.

Finally, HEW's support of § 505(a) runs counter to its major thrusts in food stamp and welfare reform. HEW has favored elimination of the purchase requirement for food stamps, thereby allowing the family to use its cash income to meet those needs which are most pressing each month, and it is supporting a welfare reform proposal which will "cash-out" food stamps and housing allowances. We cannot and do not believe that HEW's support of § 505(a), which is inconsistent with its positions on other issues in welfare reform, has been cleared with HUD, the agency involved in federal payments for housing, or represents the thinking of the people within HEW who are responsible for developing welfare policy.

In sum, HEW has just not done its homework, and we submit that its lukewarm support of § 505(a) is entitled to no weight whatsoever.

3. *"Voluntary" Vendor Payments*

A. *"Voluntary" is a misnomer, since even the supporters of the provision agree some recipients will be required to request such payments.*—The basic flaw in the argument of the supporters of "voluntary" vendor payments is that the payments will not meet the definition of "voluntary." "Voluntary" is defined as follows: "Proceeding from the will or from one's own choice or consent . . . unconstrained by interference . . . having power of free choice . . ." Webster's Seventh New Collegiate Dictionary.

We first turn to an analysis of the argument made by the supporters of this provision in § 505(a). It is insisted that coercion by landlords and utility companies simply will not be tolerated, that the recipient will have free choice. Yet the most frequent reason given for support of such payments is that certain landlords or utility companies demand that welfare recipients arrange for direct payments as a condition of getting services. One simply cannot argue that the request for restricted payments is voluntary under such circumstances.

The fact that this is a "free-choice" provision for landlords and utility companies, not recipients, is borne out by actual experience around the country. In the early 1970's for example, the welfare department in Rochester, New York, began making vendor payments to landlords and utilities on the

basis of "powers of attorney" signed "voluntarily" by recipients. An HEW investigation of this procedure confirmed that the only meaningful "voluntariness" was that afford landlords and utility companies:

"The request from the landlord and/or utility company clearly is the major determinant as to whether this payment method is used. Although recipients are advised that they are free to refuse to sign the [Power of Attorney] form, the agency as well as the landlord obviously prefer this way of doing business and in face of such pressure the recipient is not free to refuse."

* * * * * * *

"The device is primarily for the protection of the landlords and utility companies; it leaves the recipient with almost no freedom in the use of his funds and denies him safeguards included by Congress in the 1962 and 1965 amendments to the Social Security Act." Memorandum from Mildred Hoadley, Director, Division of Program Payment Standards, Assistance Payments Administration, Social and Rehabilitation Service, Dept. of HEW, to John L. Costa, Commissioner, Assistance Payments Administration, August 2, 1972" (emphasis supplied) (copy attached hereto).

HEW supported its findings with a *form* lease, found in a recipient's case file in Rochester. The very *first* clause of that lease provided that "if the tenant is receiving welfare assistance . . . tenant will go to the welfare office at 111 Westfall Road and sign power of attorney . . ."

Landlord pressure and recipient opposition to "voluntary" vendor payments has occurred elsewhere. Landlords have sought, and been denied, such legislation in Oregon and Michigan. Landlords have actually required recipients, in at least Michigan and California, to go to the welfare department and plead that they could not manage their funds—although there was no factual basis for such a claim—so that vendor payments could be made to the landlord as demanded.

Even in instances in which landlords and utility companies do not choose to coerce recipients, the welfare agencies themselves may create problems. In the face of the administrative chaos that pervades the day-to-day operation of welfare programs nationwide, there is virtually no hope that local welfare agency staff will itself ever be fully informed of the meaning of recipient consent as a precondition to use of the vendor payment mechanism, or that it will properly inform recipients of their rights. The League of Women Voters has cited the existence of this wide scale mismanagement in its opposition to § 505(a): "Many state and local Leagues have monitored the administration of the AFDC program in their localities, and based on their research, we believe that *the administrative chaos existing in most welfare departments would inevitably preclude voluntary assignment of vendor payments.* Welfare agencies cannot assure that all recipients will be informed that assignment is voluntary." (emphasis supplied)

This is also confirmed by the HEW study of vendor payments in Rochester, mentioned above: "The recipient of public assistance is dependent for his very livelihood on the agency and the public officials who have it in their power to give or deny him that very livelihood . . . *Recipients have no assurance that they can refuse the suggestions or proposals of the agency* that 'power of attorney' be given . . . The relationship between a dependent person and his benefactor is such that free choices are not possible on the part of the recipient." (emphasis supplied)

The right to revoke the request for restricted payments cannot make the original "request" any less coerced. In addition, the right is not likely to be exercised freely. First, the pressures that will be placed upon recipients by landlords, utility companies, and agency staff, will be no less diminished once restricted payments have begun. Indeed, revocation would be a break of the lease if the lease imposes upon the tenant a duty to request restricted payments. Second, many recipients will not be aware of their right to revoke. Finally, there will be practical deterrents to revocation. The revocation may not be honored for many months, since agencies frequently take that long to make changes. In New York City, moreover, the recipient will have to devote a day of waiting at the welfare center in order to make the change—a substantial burden on someone caring for children or trying to hold down a job.

The use of two-party checks, rather than direct vendor payments, does promote a free choice of sorts, since the recipient can refuse to turn the check over to the landlord or utility company. As explained below, however, this

will leave the recipient without cash, and therefore without the ability to pay even a portion of the rent or utility bill. In addition, the recipient will then have to deal with the welfare department, which may decide to convert the uncashed checks into payments to the recipient, the landlord, or the utility company, or may simply consider the payments forfeited. Faced with these alternatives, the recipient is not likely to feel free to revoke the request for restricted payments.

B. *Section 505(a) Interferes With Tenants' Legal Remedies Against Landlords Who Fail to Provide Needed Services.*—More than 20 states—Alaska, Arizona, California, Colorado, Delaware, Georgia, Hawaii, Illinois, Kentucky, Louisiana, Massachusetts, Michigan, Montana, Nebraska, New Jersey, North Dakota, Ohio, Oklahoma, Oregon, South Dakota, Tennessee, and Washington—by statute or judicial decision, permit tenants to make repairs necessary to preserve health and safety and to deduct the cost of such repairs from their rent. (8 Har. Civ. Rts.—Civ. Lib. L. Rev. 11, n. 48). The Uniform Residential Landlord-Tenant Act, approved by the National Commissioners on Uniform State Laws in 1972 and adopted by 13 states, expressly authorizes the remedy of "repair and deduct." Many poor tenants "enforce" these remedies without explicit understanding of the state of the law by withholding rent, making repairs, and finally settling up with the landlord or having a court make a disposition recognizing the rights of both parties.

Direct payments to landlords would make the remedies totally ineffective. Two-party checks do not cure this problem, as experience in New York City has demonstrated:

The check cannot be converted to cash to pay for repairs.

Refusal to turn the check over to the landlord is a basis for commencement of direct vendor payments (under written New York City policies).

Two-party checks are useless when the landlord has abandoned the building and the tenants are trying to run it themselves. A report to the welfare department that the landlord has abandoned the building and is no longer collecting rents may lead to denial of rent money altogether, rather than a payment which can be used by the tenants.

When a tenant has withheld rent and the court eventually orders an abatement of a portion of the rent because services were not supplied, the tenant is, as a rule, given 5 days to pay the balance of rent due in order to avoid eviction. Replacement of expired two-party checks (the checks are good for only 30 days) requires a full day at the welfare center. Appointments are usually not provided for seven days, at which time the landlord has obtained his eviction.

Even if a landlord agrees to make necessary repairs, the tenant may not be able to pay the rent once the repairs are completed since the two-party check expires in only thirty days.

C. *Two-party Checks Will Create Serious Administrative Problems for Agencies and Recipients.*—As a result of the existing administrative chaos, noted above, state welfare agencies will frequently be unable to promptly begin or cease making vendor payments. Many recipients who have requested vendor payments may find themselves suffering from welfare department delay in issuing the checks for the landlords or utilities. Recipients in Massachusetts were threatened with eviction because of long delays in issuing vendor payments and have had to file a federal court case in Massachusetts, *Cahoon* v. *Sharp*, in order to seek relief.

In addition, when a recipient wishes to move to housing that is more adequate, convenient, or less expensive, or needs to move because current housing has become unlivable, the recipient will not have the money needed to pay the prospective landlord because the agency will keep issuing two party checks to the old landlord despite the revocation of the request for such payments by the recipient. By the time the matter is straightened out the new apartment may be gone.

Recipients living in a building in which there is a change in landlord will also have problems, since the two-party checks cannot be used by the new landlord. New York City recipients have had to endure threats of eviction as they have tried to convince the agency to change the name of the landlord on a two-party check.

D. *Section 505(a) Creates a New Standardless Housing Allowance.*—Widespread use of the restricted payment of AFDC benefits to landlords, which is

likely if § 505(a) is enacted as it now stands, will make § 505(a) a multi-*billion* dollar housing subsidy program. This new program will not have any of the tenant protections which are recognized as fundamental conditions of the other housing subsidy programs, such as requirements that landlords provide housing that meets safety, health or housing code standards, or that rents be fair. Surely such legislation should be considered by the Senate Committee on Banking, Housing and Urban Affairs, which is responsible for housing assistance programs.

One question that Committee might consider in detail is the extent to which any welfare recipients will be able to obtain better housing because they will be able to "guarantee" a portion of their income to the landlord. We believe that the Committee will find that almost all landlords who will demand restricted payments would have rented the premises to the same welfare recipients without the restricted payment if it were not available. The Committee may also want to consider the impact, if any, on the housing market of allowing AFDC recipients, but not low-income wage-earners or Social Security recipients, to "assign" a portion of their income to the landlord or utility company.

E. *If This Provision is not Eliminated, Recipient Protections Must Be Included.*—For the reasons we have already explained, we believe that this Committee should delete the authorization of "voluntary" vendor payments. If the Committee should decide nevertheless that such "voluntary" payments should be permitted, certain protections must be added to attempt to reduce the injury that will be caused recipients. These protections must seek to assure, to the greatest extent possible, that a recipient's "request" for vendor payments is voluntary and can be revoked, and that such payments will have features more consistent with the goal of helping recipients obtain more adequate housing and utility services.

(1) Landlords, Utilities and Welfare Agencies must be prohibited from requiring recipients to request vendor payments, from penalizing recipients who refuse to do so, and from attaching conditions to a recipient's right to revoke a request. Provision must be made for penalizing those landlords, utilities, and agencies which coerce recipients.

(2) A request for vendor payments should be effective for no more than a reasonable period of time, such as 90 days. If recipients truly desire vendor payments to continue they will freely renew requests for such payments. A request should therefore be effective for no more than a reasonable period of time, such as the 90 day period in which the limited vendor payments now authorized under § 406(b) of the Act may be made without review of their continued appropriateness.

(3) Revocation of the request for vendor payments must be honored immediately. States should be required to implement the revocation of a request for vendor payments no later than 10 days after receipt of the request for revocation. (Ten days is the time that HEW considers sufficient for advance notice to a family of a termination or reduction of assistance, so it should equally be sufficient time for an agency to take action to effectuate a recipient's request.) In addition the recipient should be permitted to come into the agency office and exchange the two-party check for an unrestricted payment. In order to enforce the first provision, federal matching should be prohibited for any payments incorrectly made to the vendor after the recipient revokes his/her request. Such loss of federal matching should help to make states take the requirement of prompt action more seriously than now.

(4) Recipients must be given adequate notice of the voluntary nature of requests for vendor payments. The bill must provide that no vendor payment may be implemented until the recipient has signed a consent form, a copy of which must be given to the recipient. That form must state in clear language (and in a second language where appropriate) that the request is entirely voluntary on the part of the recipient, that the recipient will be eligible for all benefits and services from the agency whether or not a request for vendor payments is made, that the recipient may consult relatives, friends, or other persons such as an attorney before signing the request form, and that the request may be revoked at any time. In order to enforce this requirement, states should be subject to a financial penalty for all cases in which a vendor payment under § 505(a) is instituted without such a written request, and for all cases

in which it appears, as the result of a fair hearing decision or otherwise, that the signature on a request form was not voluntarily given.

(5) Vendor payments should not be permitted for housing which does not meet the health and safety standards established by state and local housing codes.

(6) Vendor payments should only be permitted to landlords and utility companies who agree to charge recipients no more than the amount of benefits provided by the state to meet shelter and utility needs.

Prior to § 505(a), federal housing assistance has only been provided to public and private landlords who agree to limit the amount they will charge low-income persons as rent. It is therefore essential that vendor payments not be permitted unless the state includes the full shelter cost as a separate item in its AFDC payments and the state will agree to pay all increases demanded by landlords. Of course even this is not really a protection for recipients, since funds appropriated to meet the needs of the poor will be diverted to subsidize landlords. The solution is to require states to pay rent in full, and to require landlords who receive vendor payments to agree to accept reasonable limitations on rentals.

4. Involuntary Vendor Payments

In 1962, when federal matching for vendor payments in cases of recipient mismanagement of AFDC funds was first authorized, the Committee on Ways and Means noted that the basic issue was "how to deal with the instances of abuse and misuse of funds given for the benefit of children without endangering the general principle that the large majority of aid to dependent children recipients, who give proper care to their children, should spend their assistance payment without direction." H.R. Rep. No. 1414, 87th Cong. 2d Sess. at 17 (1962) (emphasis added) In order to be sure therefore that the authorization for vendor payments in cases of mismanagement would not be abused, Congress placed a ceiling on the percentage of AFDC recipients who could be placed on such payments It was recognized that absent such a ceiling, the paternalistic impulses of many social workers to control the lives of the poor, and the economic pressures from interested vendors, would result in restricted payments being made when no mismanagement of funds existed.

Section 505(a) of H.R. 7200 increases the ceiling on vendor payments in cases of mismanagement of funds from 10 to 20 per cent of all other AFDC cases on the rolls. This increase in the present ceiling is authorized despite the lack of evidence that any increase is necessary. In fact there is much evidence that the present 10% is adequate to cover the cases in which mismanagement exists and at the same time is the only effective mechanism for preventing abuse of the vendor payment provision.

It is noteworthy that the proponents of the increased ceiling can provide little if any empirical support that the present 10% ceiling is inadequate. The poor, of necessity, must manage their funds if they are to survive. Indeed the fact that so many recipients are able to feed, clothe and shelter their families with the meagre benefits that are provided is a tribute to their foresight and ingenuity. Most typically, the only "choice" recipients have is which basic need will be sacrificed this month—"heat or eat" as aptly expressed by one recipient.

The money-management skill of the recipient population is reflected in a 1974 study of welfare recipients made by the Calhoun County Department of Social Services in Michigan. That study concluded, after obtaining information from landlords and mortgage companies dealing with 223 welfare recipient-tenants, that 93% of recipients paid their rent within 10 days of the due date, and that only 16% had *ever* been a month behind in their rent. The landlords rated 89% of the recipients as average or above average tenants. We know of no study showing otherwise.

Moreover, the empirical evidence of state vendor payment practices which does exist supports the conclusion that the present 10% ceiling is both adequate and a necessary incentive to assure that vendor payments are not abused. For example, HEW officials have informed us that in the last year New York State, one of the most vigorous proponents of the increased ceiling, has been able to keep vendor payments well within the

10% limit. Yet in prior years New York routinely exceeded the 10% ceiling, and, we have been informed, sometimes exceeded the proposed 20% ceiling because of the excessive us of such payments particularly in New York City.

The reason New York exceeded the 10% ceiling in the past but is not doing so now is revealed by HEW and New York documents and regulations. Up to 1975, New York City placed AFDC recipients on restricted rent payments whenever the recipient in any month failed to pay his rent and whenever an overpayment due to administrative error was being recouped. Obviously, the fact that the agency due to its own error had overpaid a recipient has not the slightest relationship to whether the recipient has mismanaged funds. And, of course, the fact that a recipient did not pay his rent in any particular month is not proof of mismanagement. There are many reasons why a recipient must sometimes postpone paying rent, even if the landlord is providing adequate services. Recipients are often faced with crises and pressing needs which simply prevent them from paying their rent immediately. In many instances, such as when extra funds are necessary for food or heating, deferring rent payments is proof of *proper* management, not mismanagement.

That is is so is confirmed by a 1975 HEW audit of New York's vendor payment practices, which found:

"In over 60 percent of the cases reviewed, none of the requirements [for vendor payments] were met. In the remaining 40 percent only minimal indication of a demonstrated inability to handle funds was revealed."

* * * * * * *

"It would appear from the Audit Agency review that if the Federal guidelines have been properly followed the state could have maintained [the 10% ceiling]. In fact, the State has recently informed us that by implementing a special review of 46,000 cases where vendor and protective payment were being made they were able to reduce those by over 60 percent." HEW Region II Office, *Discussion Paper 10% Limitation In Vendor and Protective Payments*, p. 2, Feb. 10, 1976.

Thus, in response to this audit, New York State and City changed their practices so that vendor payments would only be made when mismanagement actually existed and as a result are now able to keep such payments within the 10% ceiling.

We have also learned that when the City of Milwaukee began to make vendor payments willy-nilly despite the absence of mismanagement, state officials pointed out that such payments could only be made in 10% of all other cases and that as a result the city began to apply mismanagement criteria properly and to keep well within the 10% ceiling.

The adequacy of the 10% ceiling, and its effectiveness in preventing abuse, are therefore evident. Increasing it to 20% is not only unnecessary but will greatly limit its effectiveness as a preventive enforcement mechanism.

OTHER INCOME MAINTENANCE AMENDMENTS IN H.R. 7200

Many of the Supplemental Security Income Amendments, as well as the removal of the dollar ceiling on federal matching funds for AFDC payments in Puerto Rico, Guam, and the Virgin Islands, offer much-needed solutions for substantial program defects. For example, the extension of the SSI program to Puerto Rico, Guam, and the Virgin Islands and the provision that an SSI recipient's benefit will not be reduced during the first three months of institutionalization solely because the recipient has been institutionalized, eliminate inequities which have harmed many of the elderly, blind and disabled and are to be applauded.

In a few instances, however, we fear that the solutions chosen for program defects, while beneficial in intent, may not be the best solutions, and may themselves give rise to other problems. We will explain the problems we see with these solutions and suggest how they might be cured.

1. Presumptive Eligibility Payments

Section 106 of H.R. 7200 is a welcome expansion of presumptive eligibility payments to provide claimants with some protection against the harms

caused by the Social Security Administration's continuing failure to process applications promptly. In so doing, it also offers some relief to those states that have sought to take up the slack by state systems. We would suggest that the purpose of this amendment would be aided by also deleting from § 1631 (a)(4)(A) of the Act the clause "and who is faced with financial emergency". This stipulation is redundant and thwarts the fundamental purpose of presumptive eligibility payments. This "financial emergency" limitation is unnessary. A determination that the individual presumptively meets the conditions for entitlement to SSI entails a finding that based upon all the available evidence, the individual's available income and resources are below the financial eligibility standards. It is therefore a decision that the individual does not appear to have the minimal amounts considered essential to meet subsistence needs, and this decision alone should obviate the need for any further question. There is no "financial emergency" test imposed on the blind and disabled now receiving presumptive eligibility payments under § 1631 (a)(4)(B).

Failure to delete the reference to "financial emergency" from § 1631(a)(4)(A) will result in continuance of the Social Security Administration's current policies requiring proof of a financial emergency greater than the fact of presumptive eligibility in order to qualify for the emergency advance. For example, it denies the advance to persons who have any cash on hand, thereby requiring them to spend down below the allowable resource level while awaiting a decision on their applications. It also restricts the amount of the advance to the amount required to meet the "emergency". This not only means that some individuals must return to the office repeatedly throughout the month, but that administrative time and effort is wasted on collection, assessment and determination of facts unnecessary to the real issue, that is, whether the individual meets the financial eligibility standards for SSI benefits.

2. Gifts and Inheritances Not Readily Convertible Into Cash.

Section 105 of H.R. 7200 provides that the Secretary "may by regulation" provide that gifts and inheritances not readily convertible into cash are not income for the purpose of the SSI program. We are in complete agreement with the basic intent of this amendment since gifts and inheritances not readily convertible to cash can not be used to fulfill the claimants current living needs and therefor should not be counted as income.

However, we believe that the amendment provides the Secertary with unwarranted discretion. What the Secretary *may* do, he may also not do. The legislation should therefore provide directly for such exclusion and we suggest that the clause "the Secretary may be regulation provide that" be deleted from the amendment. At a minimum, if the Committee does not wish this exclusion to be provided by the statute, the word "must" should be substituted for "may".

Indeed, the very absence of a positive mandate may mislead the present Secretary or some future Secretary into thinking that the provision is intended to place some limit on the exclusion way of regulations. Moreover, there is no reason for requiring regulations rather than a statutory exclusion. Regulations may well be appropriate to deal with the criteria for determining when gifts and inheritance are not "readily convertible into cash". However, the Secretary already has sufficient authority to prescribe such criteria and the basic exclusionary rule could and should be established in the statute.

[Memorandum]

SOCIAL AND REHABILITATION SERVICE,
ASSISTANCE PAYMENTS ADMINISTRATION,
August 2, 1972.

To: Mr. John L. Costa, Commissioner.
From: Director, Division of Payment Standards.
Subject: Monroe County, N.Y.—review of method of payment for federally aided assistance programs.

1. This report is prepared as the result of a review of federally aided assistance cases in Monroe County, New York.

2. There has been an outstanding question for some time as to the consistency in practice of the method of payment with Federal law and regulations.

3. The provisions of the Social Security Act which are applicable to the situation in Monroe County are: (a) With regard to money payments for all titles—Sections 6(a); 406(b); 1006; 1405 and 1605; (b) With regard to protective payments for adult titles—Sections 6(a); 1006; 1405; and 1605; (c) With regard to protective and vendor payments for title IV-A—Section 406(b).

I. BACKGROUND

In July, 1970, the Monroe County (N.Y.) Department of Social Services began using a method of payment which they described as a voluntary limited power of attorney to permit the county public assistance agency to make vendor payments for rent and utilities for certain public assistance recipients. After specific instructions from the New York Department of Social Services to stop using this method of payment with regard to the federally aided assistance programs because it constituted a restricted payment, and as such violated the "money payment" provisions of the Social Security Act, county officials appealed to Congressman Barber B. Conable for his help in resolving the issue.

In August, 1971, the Regional Commissioner, (SRS) Region II, forwarded a letter from the Commissioner, New York State Department of Social Services, which expressed some support of the County's practice; Mr. Smith requested reconsideration of the Federal position in his covering memorandum. In October, 1971, Mr. Smith appealed to the Administrator for further consideration of the issue; Mr. Conable also wrote to Mr. Veneman. The responses of APA, SRS and Mr. Veneman consistently held that the voluntary "power of attorney" method as used by Monroe County was a restricted payment for the federally aided assistance programs and was a violation of the Social Security Act. (Copies of pertinent correspondence are attached.)

On January 26, 1972, Mr. Costa met with representatives of the County, the New York State Department of Social Services, staff of APA from both the Region and Washington and representatives of the Office of General Counsel; the meeting was requested by the County and was for the purpose of presenting its position. The County feels strongly that vendor payments under the voluntary "power of attorney" arrangement are not restricted payments and should not be included under the statutory 10 percent limitation for protective and vendor payments in the AFDC program. APA agreed to make an on-site review of cases receiving assistance under the federally aided programs to determine whether such payments should be held to be unrestricted.

II. PROVISIONS OF THE SOCIAL SECURITY ACT

All public assistance titles of the Social Security Act define assistance as "money payments" to or in behalf of needy individuals. "Money payments" as defined in H.B. IV-5120-5132 means that payment must be made to the grantee or his legal guardian with no restriction on the use of the funds by the individual. The statutory provision that assistance be in the form of money payments preserves the right of the individual to manage his own affairs; to decide what use of his assistance check will best serve his interests; and to make his purchases and expenditures through the normal channels of exchange, enjoying the same rights and discharging the same responsibilities as do his neighbors and friends in the community.

In 1962 and 1965 the Congress amended the Social Security Act to provide that States may make other than money payments with Federal matching to recipients who have demonstrated inability to manage money. The 1962 Amendments provide for both protective and vendor payments, with specific safeguards, in the AFDC program when the caretaker relative has demonstrated such inability to manage that the welfare of the child is endangered, if the State plan provides for: (Section 406(b)(2))

(1) determination that the relative has such inability to manage funds that making payments to him would be contrary to the welfare of the child;

(2) undertaking and continuing special efforts to develop greater ability on the part of the relative to manage funds in such manner as to protect the welfare of the family;

(3) periodic review to determine whether conditions justifying the determination still exist with provision for termination of such payments if they do not and for seeking judicial appointment of a guardian or other legal repre-

sentative when it appears likely that the need for such payments is continuing or is likely to continue beyond a period specified by the Secretary;

(4) aid in the form of foster home care in behalf of children; and

(5) opportunity for a fair hearing.

The number of such individuals for whom such payments may be made with Federal matching is limited by Section 403(a) of the Social Security Act to 10 percent of the number of AFDC recipients in the State in any month. The State may decide whether the same percentage limitation is applied in each administrative subdivision or it may use a method of assuring that the number of recipients for whom matchable payments are made does not exceed the limitation for the State as a whole. The 10 percent limitation is a statutory one and not subject to administrative decision. The provision permits the payment of rent on a vendor basis when all other conditions are met; it also permits the selection of agency staff as protective payees. (45 CFR 234.60(a)(6))

The Social Security Amendments of 1965 provide for Federal matching for protective payments in all the adult public assistance titles for individuals who have demonstrated such inability to manage money that making payments to them would be contrary to their welfare. (Sections 6(a), 1006, 1405 and 1605(a) of the Social Security Act.) In addition to the above determination, State plans must include provisions for:

(1) making such payments only when all needs of the individual are met;

(2) undertaking and continuing special efforts to protect the welfare of the individual and to improve to the extent possible his capacity for self-care and to manage funds;

(3) periodic review of the determination to ascertain whether it should be terminated or whether the judicial appointment of a legal representative is indicated; and

(4) opportunity for a fair hearing.

There is no restriction on the number of aged, blind or disabled individuals who may be included and agency staff may be selected as payees under the conditions outlined in Federal regulations (45 CFR 234.70(a)(3)).

The law also provides for payments to suppliers of goods or services under the emergency assistance provisions of title IV–A of the Social Security Act (Section 406(e)). Under emergency assistance the State may specify the emergency needs it will meet and the assistance and services it will provide; such assistance is limited by statute to one period of 30 days or less in any 12-month period.

Thus, the States have three provisions which enable them to make other than money payments to a recipient or his legal guardian with Federal matching: (1) Protective and vendor payments in the AFDC program; (2) Protective payments in the adult programs; and (3) Emergency assistance in the AFDC program.

These provisions, although essential to deal with unusual situations are to be used only for such cases. Judging from the experience of States nationally, there is no reason to believe that they do not provide public assistance agencies sufficient flexibility to deal with problems of money management among recipients.

III. METHOD OF REVIEW

Assistance Payments Administration staff from the Region and Central Office reviewed a statistical sample of "Power of Attorney" cases in Monroe County in April, 1972. A systematic sample of very 15th case was drawn from a total caseload of 1526 AFDC and AD cases for whom POA payments were made in February, 1972; the sample totaled 107 cases.

A sample of 15 OAA cases was also drawn but since 7 were later found to be either Home Relief or belonged to another category, only 8 were included in the review. In addition a random sample of 15 Protective Payment cases was drawn for purposes of comparison. In all except one case in which the Social Service record was not available, both the income maintenance and social service records were reviewed.

Cases were reviewed to determine if the POA payments could be considered an unrestricted payment or if they could be considered to meet the conditions for protective and vendor payments (Section 406(b)(2)) or protective payments under the adult titles. No cases involving emergency assistance payments were included in the review.

Because of the difference in protective payment provisions in the AFDC program and the adult programs, the cases are discussed separately. A copy of the form used in the case review is attached.

IV. FINDINGS—AFDC

Of the 90 AFDC cases reviewed, 57 were Negro families, 18 were white, 2 were listed as Puerto Rican and in 13 cases, race was not identified. All but one family lived in rented quarters. In more than half the cases (52) the landlord (payee) was not identified, in 4 cases rent was paid to public housing; the remainder, by and large, had different landlords.

In 18 cases the Rochester Gas and Electric Company was a payee; in several of these cases there was a notation to the effect that clients could not manage the high utility bills as they were not covered in their budgets. Payments to Rochester Gas and Electric ranged from $15 to $167.

Although the records are not clear it appears that the agency pays the full amount when it pays the company directly; the amount allowed in the budget appears to be deducted from the future payments made to the client. Since the amount varies from month to month, clients must sign a new POA each month for utility bills. The New York State plan allows for additional amounts to be paid for fuel in severe weather, overly exposed locations or unusually poor construction, or for reasons of poor health. There was no indication that this provision was used. Although the focus of this review was not on assistance standards this practice could raise question as to whether the State is following its plan with respect to assistance standards statewide. The question will be referred to the Regional Office for further review.

Records had inadequate information as to who was responsible for the decision to make vendor payments by POA and the frequency of review. In general once such a payment was made to a landlord, it appears to continue. A copy of a lease agreement in one recipient's record contains the clause that the tenant agrees that the power of attorney signed at the welfare office will not be changed so long as they are tenants (copy attached).

Of the 90 AFDC cases, 52 had one or more out-of-wedlock children, 41 were Negro, 6 were white and 2 were identified as Puerto Rican.

Fifty-nine (59) were referred for social services, 14 for recertification only, 7 for recertification plus another service and 3 to sign power of attorney.

A tabulation of the problem precipitating a change in payment status (No. 8) showed no indication of a money management problem in 56 cases; in 18 cases the landlord required that rent be paid him directly; 11 had problems with utility bills and 14 had problems with previous landlords.

In 67 cases, there was no indication of how the problem of money management came to the attention of the agency. (No. 10) High Rochester Gas and Electric bills accounted for 9 and eviction or delinquency in paying rent accounted for 6. It is not known whether this was a money management problem of the family, or whether they did not have the resources.

In 21 cases, there was some recorded evidence of a problem with managing money, 8 of these were due to high utility bills not covered by the payment and 8 had problems with landlords or were delinquent in paying rent. It is not possible to evaluate the extent of the money management problem because the recorded information is limited and does not support a finding such as is required under Federal policy for protective or vendor payments.

In 13 cases, there was clear evidence of child neglect, in at least 7 of which the problems were serious. All but three of the cases had been referred to Social Services for some service. In our opinion these are the only cases in the AFDC group for whom the agency has a basis for making restricted payments. The provisions of its own State plan for making protective or vendor payments were not followed, however.

In none of the 90 cases was the determination made that the relative of the AFDC child (or children) had such inability to manage funds that making payments to him was contrary to the welfare of the child. Vendor payments were generally initiated for reasons unrelated to problems in money management or to the welfare of the child.

ADULT POA AND PROTECTIVE PAYMENT CASES

Seventeen Aid to Disabled were reviewed; 14 of these rented; 3 had other living arrangements. Eleven (11) were Negro; 5 were white and one un-

known. In 13 of these cases there was no indication of the reason for payments by POA; in 3 cases it was by request of the landlord and one appeared to be because of accumulated utility bills.

Three recipients could have been expected to have problems managing money; two were female diabetics with alcoholism and one had a diagnosis of psychosis with mental deficiency recently discharged from the State Hospital and with a long history of difficulty managing in the community. A protective payee might have been a more appropriate arrangement than a vendor payment for rent and/or utilities for such recipients.

OLD AGE ASSISTANCE

All of the 8 OAA cases reviewed lived in rented apartments; 5 were white, 2 were Negro and one was of unkown race. In two cases there was indication of possible money management problems, but otherwise there was no indication in the records of the reason for the use of POA. Two cases clearly should have been referred for protective payment and services.

PROTECTIVE PAYMENT CASES

In addition to the POA cases, a random sample of cases receiving protective and vendor payments under the provisions of 45 CFR 234.60 and protective payments under the provisions of 45 CFR 234.70 were reviewed for purposes of comparison.

In only 2 of the 9 AFDC protective payment cases was there evidence of a need for protective payments. In none of the cases, however, was a protective payee identified. Four of the nine families owned their homes; some repair and fuel bills were paid by POA although there was no evidence of child neglect or money management. All of the families renting living quarters had their rents paid by POA; one family had additional living expenses paid by voucher. All but one case had been referred to social services and except for one case, services provided were limited or none found to be needed.

To summarize, only two cases in this group could be considered protective payment cases. In none of the cases were the conditions for making such payments met.

All the adult titles of the Social Security Act provide for protective payments when the recipient has such inability to manage money that making payments to him would be contrary to his welfare. The other provisions for making such payments are similar to those in title IV, except that in the adult titles, provision is made only for a protective payment to be made to a concerned individual and the agency must meet all needs of the recipient.

None of the 6 adult protective payment cases met Federal provisions. In no cases was there evidence that a protective payee was appointed; in all cases part of the payment was made by voucher or POA. In three cases voucher payment was made for meals-on-wheels, two were for rent by POA and payment in one case was for house repairs and a large oil bill. In one case (possibly a second) there was an indication of a problem managing money.

The principle problem with the utility company appears to be the fact that the amount allowed for this in the payment ($16.60) does not begin to meet the bills cited of $100 or more a month. Although requests from the utility company came as the result of unpaid bills, the agency apparently does not necessarily check the validity of the bill with the recipient before it pays. In some cases the agency paid the bill and then notified the recipient that future deductions would be made in his payment to cover the arrears paid by the agency. This was confusing to some recipients, particularly to one woman who maintained she had paid her utility bills.

"Power of Attorney" payments for rent were clearly made at the insistence of the landlord or by agency decision. Agency staff see no impropriety in such a request and do not question the landlord's demand; the case focus at this point becomes one of trying to accommodate the landlord.

The County agency claims that the "voluntary power of attorney" method of payment is a voluntary one because it says it is voluntary. This is a specious argument and does not take into account the customary use of power of attorney or the nature of the relationship between the recipient and the agency. Power of attorney is ordinarily used when an individual expects to be away or

incapacitated for a period. He authorizes a friend or relative (or an attorney) to act for him for a given period or purpose; the individual not only makes a free choice in the selection of the person he wishes to act for him, but he normally selects someone he is confident will act in his best interests. Such a relationship is certainly not the usual one between recipients and the public assistance agency.

The recipient of public assistance is dependent for his very livelihood on the agency and the public officials who have it in their power to give or deny him that very livelihood. There is still a great deal of discretion inherent in the public assistance system. Recipients have no assurance that they can refuse the suggestions or proposals of the agency that "power of attorney" be given for the payment of rent without this decision not affecting their eligibility or amount of payment. Assurances of this kind cannot be given for the people administering public assistance programs are human beings, subject to feelings of frustration and irritation. They are also under pressure from the landlords and the utility company; they may be sincerely trying to help the individual. If agency help is refused, however, there can be no assurance given that it will not affect the recipient's present or future claims against the agency. The relationship between a dependent person and his benefactor is such that free choices are not possible on the part of the recipient.

And for the record, entries in the case records reveal that the client is aware that the landlord and/or the agency are largely responsible for the decision to use the "power of attorney" method of payment and that refusal to agree carries risks as well as certain penalties. In several cases the Rochester Gas and Electric Company appears to have been paid directly by the agency for bills owed by clients with no notice to the client until the transaction was completed. In one case there was a note, "If unable to get woman to sign POA, stop check till she comes in." Usually, however, the landlord asked for the arrangement verbally or in writing and the agency sent the client a note asking him to come in and sign the POA. In some instances, the landlord accompanied the client to the County office to have the client sign the POA. The records generally did not support the claim that the recipient has a free choice. The fact that the agency claims to advise all clients that they have a choice as to whether to sign the POA form is not of itself proof of "free choice" if the alternatives are taken into account.

V. SUMMARY

A sample of cases in which the Monroe County public assistance agency was making payment in February, 1972, for rent and/or utilities by means of a voluntary "power of attorney" was reviewed to determine if such a method of payment could be considered unrestricted within the meaning of the Social Security Act; or if it were restricted could such payments be found to meet the conditions of Section 406(b)(2) or Section 1605(a) of the Social Security Act.

There was no evidence found in any of the cases reviewed to support the County's claim that "power of attorney" payments are unrestricted payments. This method of payment is usually initiated at the request (or demand) of the landlord or the utility company and occasionally by the agency.

The request from the landlord and/or utility company clearly is the major determinant as to whether this payment method is used. Although recipients are advised that they are free to refuse to sign the POA form; the agency as well as the landlord obviously prefer this way of doing business and in face of such pressure the recipient is not free to refuse.

There is, moreover, no provision in Federal law or regulations for the use of a "power of attorney" method of payment. The law is specific in defining the ways in which a State can deal with recipients' demonstrated inability to manage money and they do not include the use of "power of attorney". Failure to pay bills is, in itself, not a determinant as to the poor ability to manage. This is evidenced by the fact that the recipient is given $16.60 per month for utilities in his assistance payment, although the agency may pay $100 directly to the vendor. If given a larger payment the recipient himself might manage better.

There is no substantive difference between a payment made by agency power of attorney and a voucher payment. The only difference is that the recipient is asked to sign a paper that he agrees to the agency paying his rent and fuel bills. The device is primarily for the protection of the landlords and utility

companies; it leaves the recipient with almost no freedom in the use of his funds and denies him the safeguards included by Congress in the 1962 and 1965 Amendments to the Social Security Act. Penalties for non-payment of rent and utility bills are imposed on all citizens and the agency has no more responsibility for protecting the client against due process of law than it has to protect landlords and utility companies against the possibility that recipients may not pay their bills.

VI. RECOMMENDATIONS

1. That the New York agency cease claiming Federal funds for any case in which payment is made by means of agency "power of attorney."
2. That the New York agency review Monroe County's program of protective and vendor payments under title IV-A and protective payments under title XVI and take steps to bring the County into compliance with Federal and State plan requirements.
3. That the State agency advise the County to phase out its POA program and make fuller use of protective and vendor payment options with full supporting evidence in case records that all conditions specified in Federal regulations are met (45 CFR 234.60 and 45 CFR 234.70).
4. That in the absence of a commitment to the above items within a 30-day period, the Federal Government will no longer match any vendor or protective payments made by the State. (45 CFR 234.60(b)(2)(iii) and 234.70(b))

MILDRED K. HOADLEY.

PREPARED STATEMENT OF ROBERT REED, DIRECTOR, MICHIGAN LEGAL SERVICES

This statement will be confined to the pervasive misconception that vendor payments, whether made directly to the provider of living accommodations or in the form of two party checks to the landlord and the AFDC recipient as proposed in H.R. 7200, stand to benefit landlords and recipients as to prevent further deterioration of housing conditions in the country's urban areas. We would like to seriously question the underlying assumptions which support the view that this channeling of the shelter portion of assistance grants can provide relief to financially pressed landlords and access to decent low cost housing for recipients, or upgrade the quality of housing in our old and decaying cities.

RELIEF TO LANDLORDS

For some years aggrieved landlords have been articulating a desperate need, in Michigan and elsewhere, for more regular payments from welfare recipients for their rental units, and advocating direct payments to them as the only solution. They have steadfastly maintained that the irregular rent received from recipients has caused them to be unable to keep their buildings in repair, as well as denied them a reasonable return on their investment and, in many instances, plunged them into bankruptcy.

For the past year, a Detroit-based landlords' association, Housing Owners of the United States Exchange (HOUSE), through its president Charles Costa, has been making charges in the local media that "* * * 30% of welfare and ADC clients do not pay their rent."[1] In response to the landlords' pressure, the Michigan Department of Social Services which administers the AFDC program agreed to do an experimental project in which the Housing Services Bureau of the Wayne County Department of Social Services (Detroit area) would screen 400 recipients, in arrears for one or more months and referred to them by the landlords, over a 90 day period between April 4 and July 4 of this year. If money mismanagement was found, currently the only reason under federal law for vendor payments, DSS would institute such payments and pick up arrearages of up to three months back rent. In mismanagement cases, DSS stated publicly that the vendor payment would be sent to the landlord within 18 to 30 days following the landlord's submission of the poor-paying recipient's name to housing services.

The experiment was well publicized; articles containing telephone numbers to contact appeared in the major daily newspapers no less than five times

[1] "Detroit landlord sends Carter a message," *The Detroit News*, 1/16/77.

over a three week period between March 14 and April 6, including two stories on page one and a page three article fully explaining the experimental program. Charles Costa elatedly proclaimed: "We have 600 complaints on file right now . . . we figure that there are about 18,000 rental units in the Detroit area alone where the tenants have been pocketing the rent money from ADC."[8]

On July 13 the results of the experiment were released at a press conference: all the publicity resulted in only 209 referrals from landlords. The screening showed that 49 of the referrals were not welfare recipients in spite of the fact that landlords know their recipient clientele because they must sign rent verification forms for DSS. Of 152 active DSS clients, 45 were not put on vendor payments because they had either moved, were not "mismanaging" their money, or were withholding their rent in a dispute over building maintenance; screening of 46 other active cases resulted in direct vendor payments or payment of the arrearage, or both, and 40 cases were still pending. Since the June 4 cutoff date for referrals, landlords have submitted 40 additional names, and following the July 13 release of the experiment results, Charles Costa has stated that his organization has dropped its demand for across-the-board direct payments. (Press articles attached)

Until there is evidence to the contrary, we believe it is safe to assume from this experiment that, at least in the Detroit area, landlords' cash flow problems and inability to maintain their buildings do not result from non-payment of rent by AFDC recipients—if *all* pending cases in the experiment are eventually found to be mismanaging and put on vendor payments, the fact remains that currently a well publicized effort which guaranteed rent and arrearages could only uncover .001% of AFDC recipients in Wayne County who are not paying their rent, or 80 cases out of 80,000. If one hundred times this number were poor paying tenants, or 10% of the caseload, it would appear unreasonable to threaten 90%, or 72,000 cases, with vendor payments to solve the problem.

A more extensive study of the rate at which AFDC recipients pay their rent, and the degree to which they damage property, was undertaken in another area in Michigan by the Calhoun County Department of Social Services in 1974. The results show that, according to landlords, 93% of the AFDC clients in the sample paid their rent within ten days of the due date, and that only 16% had even been a month behind in their rent. (Summary of study attached.)

Yet it appears that a handful of landlords, with no data to back up their charge of widespread recipient non-payment of rent, can claim the major relief for their problems will only be obtained through direct payment of rent for receipient tenants, and can generate enough pressure to change a basically sound approach which allows recipients the dignity of managing their own funds, however, meager.

Finally, it makes little sense to believe that a voluntary vendor payment system will deter tenants intent on avoiding their rent obligation; they will not request vendor payments, and landlords will not be substantially aided. Unless, of course, landlords advocating the vendor payment solution believe they hold the power to quickly effect vendoring as mandatory, standard practice.

ACCESS FOR RECIPIENTS

Proponents of vendor payments argue that this system will reassure landlords and ultimately recipients will have more access to well maintained, low cost housing. The fact is that most landlords do not rent to recipients because they do not like single parent families, children and, in some cases, racial minorities.

Additionally, most states do not include an adequate amount in an assistance grant to purchase decent housing in the market place, Michigan will upgrade its shelter allowance in October, the first increase over the level determined by housing costs reported in the 1970 census. Given the above factors and the very real shortage of decent low cost units to meet the needs of both the welfare poor and the working poor, it is hard to imagine how vendor payments will substantially increase the availability of housing.

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[8] "Welfare rent deadbeats are in for a shock," *The Detroit News*, 2/14/77.

"VOLUNTARINESS"

Access to any kind of housing, we fear, will quickly become conditioned on the welfare recipient's willingness to agree to two party payments under the provision proposed in H.R. 7200. We appreciate that many lawmakers may perceive that instituting vendor payments only at the request of recipients provides sufficient protection from coercion for them. Our experience in Michigan, however, is such that we seriously question the degree of "voluntariness" possible in a system where recipients are the most, if not the only, vulnerable persons in a triad of welfare worker, landlord and tenant.

Even with the current prohibition against vendor payments, many landlords in Detroit are conditioning the rental of their units on the prospective AFDC tenant's "willingness" to go to the Social Services Department and request vendor payments "admitting" to money mismanagement if the worker indicates that this condition must be present to get the vendor payments instituted. With the proposed "voluntary" vendor payment system, not only do we expect that the majority of the landlords will insist on vendor payments as a routine practice, but the client may also be pressured by the worker—who holds the purse-strings to the client's very survival—to adopt vendor payments because it is "easier" for all concerned.

When proponents of § 505(a) argue that joint payment will encourage landlords to rent to recipients when they would not otherwise, they admit that they expect landlords to make joint payment a precondition to renting. Landlords are well-organized and well-informed; within months after passage, a recipient will find that wherever he looks for housing he will have to agree to joint payment.

Further, it does not follow that broad scale two party payments will go to repair of buildings and improved housing conditions for recipients. Guaranteed rent to landlords provides little incentive to upgrade buildings; if anything it will function to discourage such activity. The pressure of the free enterprise market—one must produce decent goods to get/keep customers—is lost when the landlord collects regardless of the product. The practice of "milking" a building, for a guaranteed profit, and allowing it to fall into irreversible disrepair, is not a new experience in our cities.

ADMINISTRATIVE MORASS AND RECIPIENT OPTIONS

If a truly voluntary system could be devised, devoid of coercion and pressure on either landlord or recipient, its effective functioning would depend in large degree on the capacity of the local welfare department to respond on a timely basis. As a practical matter this kind of response is impossible in urban areas.

The degree of administrative morass within welfare departments in large cities is almost beyond description. Hopefully, a few actual cases from our neighborhood offices can exemplify the difficulties: On February 7 a client reported to her worker that her son moved out of the house and should be removed from her AFDC grant; she received checks on February 16 and March 5 reflecting her prior status, and then received no check at all for the last half of March or all of April. After six calls to the worker and two trips to the office to get emergency relief, she began to receive checks regularly in the mail in June. She noted to the worker during this process that her food stamp allotment had not been adjusted and, after a few weeks had elapsed, her Authority to Purchase (ATP) card stopped coming altogether. She is still not receiving mail issuance and must go into the local office for handwritten ATP cards or forego her food assistance. Another client moved, and after reporting his address change, had two checks go to his old address—the last of which he recovered by waiting for the postman at his old address for three consecutive days—then received no check at all for the following month. Meanwhile he suffered an asthma attack and could get no treatment because his Medical Assistance card was lost somewhere in the maze between an overburdened welfare worker mounds of paperwork and an impersonal computer.

If you magnified the above cases ten thousandfold you could begin to understand the pressures on a county welfare department dealing with a minimum of 150,000 assorted AFDC, General Assistance, Medical Assistance, Social Services and Food Stamp cases, as is the situation in Wayne County, all with

different eligibility criteria and verification procedures. Automatic eligibility for other programs pertains at best in two thirds of the cases.

We are now proposing to add to this bureaucracy an additional administrative procedure which will have to be processed through worker and computer: two party checks for living accommodations and utilities. All the desirable goals for social welfare programs which lawmakers and government officials espouse—reduced paperwork and bureaucracy, lower administrative costs, reduced error rates, increased worker morale, preservation of recipients' dignity and prompt and efficient delivery of aid to those in need—must be carefully weighed before such a decision is made.

Particularly, consider the only option available to a recipient whose housing is unsafe or inhabitable: he or she can move. It will take at least a month, and more likely two, to process a change in the joint payment check, in itself a long time to wait to move if housing conditions have become unhealthy or hazardous. Moreover, a tenant will not have ready cash to offer a prospective landlord; the new landlord will have to wait the same month after offering the recipient the apartment before receiving any payment. Good housing fills up faster than paperwork is processed; the recipient will inevitably lose out to the tenant who controls his own funds and can offer rent the same day he finds a place. As a result, when recipients finally move, it can only be to a building in such poor condition that there are always vacancies.

Recipients who are locked into their present housing while the overburdened welfare office is instructing its computers to cancel out the check to the old landlord and who must wait weeks for a payment to be issued to the new landlord are not likely to be able to avail themselves of "better" housing, less expensive housing or housing more convenient to work or transportation.

Other options currently available to recipients to improve their housing conditions would disappear with two party checks. Under Michigan law, if a landlord fails to make needed repairs after knowing of the need, a tenant can have the repairs made himself and deduct the expense from the rent. Under the joint payment system, the only recourse a dissatisfied tenant has is to withhold endorsement and delivery of the check; he would not be able to cash the check to pay for urgently needed repairs neglected by the landlord.

A similar situation arises when a utility company threatens to shut off service because the landlord has not paid the bill. Fifty welfare recipients have contacted one small, Detroit inner city housing program in the last three months alone with this problem. If the landlord cannot be persuaded to pay the bill, under Public Service Commission regulations the tenant can request that service be transferred to his name and then deduct the current charges from his rent. Again this solution—the only sure, swift way to restore utility service—is denied to the recipient with the joint rent check.

Mrs. Wyvette, Linebarger, a welfare recipient in Detroit two voluntarily assists other low income persons with housing problems, stated the dilemma well: "I have been renting for twenty years—mostly in places where the utilities were included in the rent—and I always paid my rent. But many is the time when I wound up in the dead of the winter with no heat or no lights." What remedies does Mrs. Linebarger have to protect her family under a two party check system? She is immobilized in an unheated apartment for at least two months with a check she cannot use with the utility company or a new landlord.

Tenants rights laws have functioned effectively in many states as private code enforcement mechanics. Landlords' efforts for direct payments can be traced back directly to the point in time when states, including Michigan, began to recognize the need for private enforcement of building codes and enacted laws whereby tenants could withhold rent to force repairs or repair and deduct in substandard dwellings. Federal laws which undercut such state efforts can hardly be viewed as improving access to decent housing for poor people.

HOUSING CONDITIONS IN URBAN AREAS

It is the grossest oversimplification to maintain that substandard housing conditions in urban areas are due to recipient non-payment of rent or could be substantially improved by vendor payments. The real reasons for deterioration in both private and public housing are: the age of the buildings, inflated construction and maintenance costs, soaring utility rates, and crime.

In public housing projects there are additional problems: with the change in the Brooke Amendment late in 1975, gross rents increased by 60%–80%; the quality of the housing did not improve proportionately, however. It is understandable that many tenants perceived that they were being overcharged for poor housing and a small percentage in Wayne County did exercise their legal right and withhold rent in an effort to force upgrading of the units. However, public housing tenants seeking repairs and adequate maintenance are faced with a serious administrative contradiction: they must negotiate with cities with the mutually exclusive functions of "landlord" and code enforcer.

In terms of solving project problems through regulation of AFDC recipients, it simply can't be done. (Currently only 4% of AFDC cases in Wayne County reside in the projects.)

FUTURE DIRECTIONS

Rather than institute a vendor payment system that offers few benefits, considerable administrative headaches, and would function to place the welfare office in a position of determining the equity of landlord-tenant disputes, as well as deny recipients important rights and opportunities in the competitive housing market, we recommend that the housing problems currently under discussion be alleviated in the following ways:

1. The enactment and enforcement of laws which would prohibit landlords from discriminating against welfare recipients (minimally, a vendor payment in H.R. 7200 should be accompanied by a provision prohibiting landlords from refusing to rent to recipients not participating in the system);
2. Provision of an income floor under needy persons which would guarantee them sufficient funds to purchase adequate housing;
3. A loan and grant program for private and public landlords, sufficient to adequately maintain aging buildings occupied by low income persons.
4. Respect for state laws which provide for private enforcement of building codes by guaranteeing the tenant's right to withhold rent or "repair and deduct" in a substandard dwelling; and
5. Finally, effective enforcement of state and federal provisions which prohibit any public monies from going into buildings which do not meet health and safety standards established by state and local housing codes.

In conclusion, the laws of this country are often viewed as providing protections only for the rich; vendor payments can be seen as one more example of a legislative attempt to solve problems on the backs of poor people. The 1935 Social Security Act was an effort to assure persons already dependent on the government some control over their own lives. The sweeping and disastrous potential for the joint payment provision under consideration by this Subcommittee is directly contrary to the spirit of that law and we believe it unwise and unnecessary.

[From Detroit News, March 14, 1977]

WELFARE RENT DEADBEATS ARE IN FOR A SHOCK

(by Pete Waldmeir)

Quietly, the Michigan Department of Social Services has taken the first steps toward improving the quality of rental housing in Detroit.

The reason for the lack of fanfare is that the DSS, already under fire for poor handling of past welfare programs, would like to get the policies rolling before they start making waves.

Some welfare recipients who have grown accustomed to pocketing their public-assistance rent money each month and only paying the landlord when they feel an abnormal burst of generosity are going to be ticked off.

Here's what's happened:

Under pressure from a Detroit-based landlords' group called Housing Owners of United States Exchange (HOUSE), the DSS has agreed in some extreme cases to abandon an eight-year practice of making rental assistance payments to tenants.

Starting this week, the Detroit DSS office and HOUSE will investigate area landlords' claims against deadbeats.

If the DSS is satisfied that the landlord has a legitimate beef, rent payments no longer will be sent directly to the tenant. Instead, they will be paid to the landlord.

Furthermore, if a landlord can prove that the tenant has not forwarded the money for three months or more, the landlord will be eligible to receive up to three months in back rent.

The latter amounts to a double payment by the government, but the DSS feels it's worth it to keep landlords from going broke.

"It's our first major victory," said HOUSE director Chuck Costa. "We have about 600 complaints on file right now and that's where we'll begin.

"The DSS hasn't given us any firm quota, but we figure that there are about 13,000 rental units in the Detroit area alone where the tenants have been pocketing the rent money from ADC. The landlord has no choice when he cannot collect.

"All he can do is go bankrupt and close his building," which means letting it fall into disrepair.

Costa's group, which is headquartered in a beat-up old flat on Myrtle near 12th Street, started to put the squeeze on the state a month ago by leading a unique landlord rent "boycott."

In 1968, the state, yielding to activist pressure to restore "dignity" to public assistance programs, stopped mailing rent payments direct to landlords.

Instead, the DSS sent the money to the renters, naively expecting that they would, in turn, pay their bills with it.

Well, the money got spent all right. But not for rent.

"I controlled about 5,000 housing units at the time," said Costa. "Within six months after the policy changed, 50 percent of my tenants had quit paying their rent.

"They ate better and dressed better, however."

The practice of short-stopping the money from Lansing led to a HOUSE-inspired campaign last month which created a paper work headache for the DSS.

Dozens of landlords, tired of watching their tenants eat, drink and wear their rent money, suddenly reduced their charges to $1 a month.

At first DSS officials were furious. Then they realized that the landlords were serious and they had to make a move.

"We figured that if the owners couldn't have the rent money, then the tenant shouldn't have it either," said Costa. "It was a gamble," but it worked."

As part of the deal made Friday between Costa and the Detroit DSS office, the $1 rents will be discontinued and regular rent payments reinstated.

On another front, and aside from the HOUSE campaign, the DSS this month will begin another statewide program designed as a compromise on welfare rents.

Under a plan developed by the Michigan State Housing Development Authority, the state will monitor more than 800 one-year welfare leases.

Seventy-five percent of the rent money will be paid to the landlord; 25 percent to the tenant. In addition, if the tenant defaults on his share of the rent or skips out on the lease, the landlords will be eligible to receive up to 80 percent of two months' rent as a penalty.

Since there are about 210,000 families on ADC in the state, nearly half of them in Wayne County, Costa thinks the 800-plus experiment is too shallow and won't provide an adequate test for determining future policies.

If you're a landlord or a tenant with a beef or a question, you can call HOUSE headquarters at 831-1030. Or if you need help with the state-run program, call 256-1465.

The latter is easy to identify. Just tell them you want to inquire about "Section 8."

Given the welfare screwups of the past, the title seems apropos.

[From the Detroit Free Press, March 15, 1977]

WELFARE AGENCY TO PAY LANDLORD IF TENANT DEFAULTS

(By Joyce Walker-Tyson, Free Press Staff Writer)

As many as 10,000 Michigan welfare recipients soon may receive budgeting help from the Department of Social Services whether they want it or not.

A pilot project by the department and the Housing Owners of the United States Exchange (HOUSE) will give the department the authority to make

rent payments directly to landlords in cases where welfare tenants have failed to make their own payments with money earmarked for that purpose.

House President Charles C. Costa, a Detroit landlord who says tenants who defaulted on their rent payments once drove him to bankruptcy, has been working since 1974 to reinstitute a policy of direct payments to landlords, which was outlawed in 1969.

Social Services Director John T. Dempsey said the procedure was abandoned because it ran counter to federal regulations designed to protect the Civil rights of welfare recipients and to allow the dignity of managing their own funds.

Costa says the practice of letting welfare recipients handle the money has resulted in increasing numbers of housing units being abandoned because the tenants failed to pay. Landlords, unable to bear the financial burden, have left the city, he says.

The pilot program is possible because of an HEW stipulation in the law that allows up to 10 percent of a state's welfare recipients to be placed on a direct payment plan.

Michigan now has less than two percent of its welfare recipients on such a plan. The program may be used until the 10 percent limit is reached.

"Some of these people just don't know how to manage their money," Costa said. "Others spend it on booze or drugs—anything but rent. A landlord can't stay in business like that."

The pilot program is set up so that a landlord who has not been paid for one or more months can notify HOUSE and file a complaint. The group investigates his charges and refers the case to the Department of Social Services. If the department feels that the complaint is valid, rent payments will be made directly to the landlord instead of to the welfare tenant.

"This is something that will help everybody," Costa said. "If half the tenants in a building refuse to pay and the building has to close, the other half will be out on the streets. This new policy will protect those people.

"People on welfare will have homes; landlords won't go broke, and the city will retain the tax revenues generated from the property."

Costa said his organization is as much an agency for tenants as for landlords.

"We're hoping to get calls from tenants who have complaints, too," he said "If a landlord isn't living up to his responsibilities, we want to know about it so we can help the tenants he's ripping off."

Tenants still may withold rent payments if the landlord fails to maintain the property.

On the flip side of the coin, a landlord may recover up to three months' rent from the government if he can prove that the tenant has not forwarded the rent allotment to him.

Costa, who spearheaded a move by dozens of Detroit area landlords last month to drop the amount of rent charged defaulters to $1 a month, credits the move with speeding up the agreement between HOUSE and the state welfare agency.

A mountain of paperwork for the department resulted, and irate tenants went so far as to threaten Costa for his part in lowering the amount of their welfare checks.

"They weren't paying us anyway," Costa said. "So we figured we might as well lower the rent, and the department would lower their allotments. It worked."

Costa said he is opposed to another new pilot rent policy because it is not adequate.

That system allows 75 percent of the rent payment to be made directly to the landlord in a one-year lease agreement with the tenant, who receives 25 percent.

The plan, called Section 8, was developed by the State Housing Authority and is monitored by the state. If a tenant defaults on his share of the payments or breaks the lease, the landlord can recover up to 80 percent of two months' rent.

Costa said he doesn't believe that the 800 families used in the project were enough to determine its workability, since there are more than 200,000 welfare families in the state.

Landlords and tenants can get in contact with HOUSE at 2060 Myrtle for more information or to file complaints.

[From the Detroit News, Thursday, March 17, 1977]

WELFARE WILL TEST RENT-TO-LANDLORD PLAN

(By David Vizard, News Staff Writer)

There will be a limited experiment by the Michigan Department of Social Services to directly pay city landlords the rent from their welfare tenants, according to John T. Dempsey, director of the department.

A landlords' group announced earlier this week that the state had approved a full-scale rental program, and a staff member responded Tuesday by saying there would be no program at all.

But Dempsey said yesterday the 90-day experiment by the state department to directly pay the rent of some 400 welfare recipients in Detroit will begin April 4.

"We are not abandoning our previous policy of mailing rental payments to the renters," Dempsey explained.

"But federal law does allow us to make payments directly to the landlord in cases of money mismanagement by the welfare recipient resulting in a health and safety threat to children.

"The experiment will follow those guidelines. We cannot disregard the 1973 federal law and make all welfare rental payments to the landlords."

Dempsey said the 400 welfare recipients who are behind on their rental payments will be chosen by the Detroit Housing Services Bureau and the Housing Owners of the United States Exchange (HOUSE).

Charles C. Costa, president of the housing owners' group, said his group will compile a list of their welfare renters who are under eviction notice and submit it to the Housing Services Bureau.

"Even though the experiment involves only 400 and is scheduled to last only 90 days, it is the first major step toward saving thousands of housing units in Detroit," Costa said.

"If we don't get any money from our renters, then we can't keep up their houses. The buildings fall apart and the landlords go bankrupt. Then all you've got is a bunch of unusable, boarded-up houses in the city.

"This experiment is good for the renter because he has a decent place to live, it's good for the city because it means fewer run-down buildings, and it's good for us."

The landlords' group has stopped its $1-a-month rental campaign, Costa said, in light of the project worked out with the Wayne County office of the Department of Social Services.

The campaign started about a month ago after landlords got tired of not receiving rental payments from welfare recipients. They decided to reduce their rental charges to $1—thus cutting the welfare recipients' monthly check from the state by $119—rather than have the money pocketed, Costa said.

[From the Detroit News, Tuesday, April 5, 1977]

COUNTY TO LIST TARDY TENANTS SO LANDLORDS GET WELFARE RENT

(By Theasa Tuohy, News Staff Writer)

Landlords who have complained long and loudly about slow or nonpaying welfare tenants are part of an experiment begun yesterday that may provide them some relief.

The Wayne County Housing Services Bureau is beginning a screening process to help landlords identify 400 poor-paying tenants to the state Department of Social Services.

If the identified tenants meet strict federal guidelines that have been in effect since 1973, the Social Services Department will pay their rent directly to the landlord rather than to the tenant.

Several landlord groups have long lobbied with the department to get it to institute direct payment, referred to as vendor payment by social services.

This, however, is not permitted under federal guidelines except in certain specific instances, according to Dr. John Dempsey, who heads the Social Services Department.

The guidelines provide that vendor payments may be made in only those cases where money mismanagement by the welfare recipient results in a health or safety threat to children.

Eviction, or threat of it, because of nonpayment of rent can be considered such a hazard, Dempsey said.

The theory behind the federal guideline, according to Dempsey, is that welfare recipients should have the dignity of handling their own finances. There is also the practical consideration that tenants have no leverage to force landlords to provide proper maintenance if they can't withhold rent, Dempsey said.

In the experimental program begun yesterday, landlords belonging to the Housing Owners of the United States Exchange (HOUSE) will identify to the housing bureau the names of 400 welfare tenants who have been slow payers or face eviction.

Ann Marie Sims, housing bureau chief, said her agency will be acting mainly in a liaison and screening capacity with the Social Services Department and the landlords.

Her agency also will try to see if something can be worked out between the landlord and the tenant short of ordering vendor payments.

She pointed out that social services will still have to make the determination of whether the tenant can actually be switched to vendor payment under the federal guidelines.

She said her agency has provided this service to landlords for some time, but many did not know of it and this is the first time it has been tried on a systematic basis.

If it works well with the first 400 tenants suggested by the housing agency exchange, then the program will be continued, she said.

Welfare case workers normally make the decision of whether to put a client on vendor payments. But Mrs. Sims said that in the past the landlord often did not know how to contact the worker and the tenant could be far behind in rent or evicted before social services knew about it.

She said that if all goes well, vendor payments for those clients approved by welfare could begin going to landlords within 18–30 days.

[From the Detroit News, April 6, 1977]

RENT-TARDY TENANTS WILL BE NAMED

Landlords interested in joining an experimental program for identifying welfare tenants who are seriously behind in their rent should contact the Wayne County Housing Services Bureau.

The bureau is in the process of trying out a program in which it acts as liaison between landlords and the Department of Social Services. The program will try to identify tenants who mismanage their money to the extent that it is a health or safety hazard to their children.

The hazard to children has to be established before Social Services can directly pay rent to the landlord, otherwise federal regulations require the welfare client receive the money himself.

The housing bureau has provided the liaison service to landlords for quite some time, but many landlords were not previously aware of it.

The experimental program of systematically identifying 400 welfare tenants was begun this week.

Any landlord or landlord group is eligible for the service and is eligible to submit names of tenants to the housing bureau for the experimental program.

[From the Detroit Free Press, Thursday, July 14, 1977]

LANDLORDS HAD COMPLAINED OF TENANTS MISSPENDING DIRECT PAYMENTS OF WELFARE RENT CALLED NEEDLESS

(By Jim Neubacher, Free Press Staff Writer)

A Wayne County study has indicated there is no need for a broad program of sending welfare rent payments directly to landlords instead of to recipients of aid.

The study was prompted by complaints from a Detroit landlord coalition that tenants receiving the aid were not using the money for rent but were misspending it.

Charles Costa, leader of the coalition, claimed that city-wide abandonment of housing was a direct result of such nonpayments and would result in hundreds of poor Detroiters being forced onto the streets.

The study by the Michigan Department of Social Services began in April. Under the program, a DSS spokesman said, landlords referred complaints about nonpayment to the landlord coalition, the Housing Owners of the U.S. Exchange (HOUSE).

After a preliminary investigation, HOUSE referred the complaints to the DSS.

Of 209 complaints to the DSS, a spokesman said, 78 of the cases involved landlords charging more rent than the $110 maximum monthly ADC rent allowance from the state for households of five or fewer persons.

Of the remaining 131 complaints, the DSS said, 85 involved, among other things, cases of legitimate tenant-landlord disagreements about services and poor housing conditions where the tenant refused to pay rent; cases of nonpayment by persons who were not receiving public assistance from the DSS; and cases where the tenant had moved.

In the remaining 46 cases, the DSS found that the tenant didn't, wouldn't or couldn't pay his full monthly rent, and the DSS began to make the payments directly to the landlord.

Bob Drake, a spokesman for the DSS, said the department has always had the authority to investigate complaints of mismanagement of aid money by recipients, and has the power, under federal guidelines, to make direct payments to landlords where mismanagement allegations are proven.

"Our department is basically satisfied with the existing structure," said Drake. He said the DSS did not support mandatory direct payment of rent to landlords.

Tenant organizations have contended that such direct payments would eliminate the power of a tenant to withhold rent if safe and clean housing were not provided by a landlord.

"We feel that in cases where our people (clients) have been able to take care of their rent, why should we send rent money directly to a landlord?" said Drake.

"The thing this project helped to point out is that in a situation where someone couldn't manage their money, we were able to set up the communication lines and strike out a lot of red tape and get the landlords the money they were entitled to."

Costa said his organization has dropped its demand for across-the-board direct payments to landlords. But he continued his call for better investigation of mismanagement claims and better record keeping by DSS to keep track of clients with a bad record of rent payments.

Costa said HOUSE will sponsor a meeting Thursday of landlords from across the country to discuss other problems facing urban landlords.

"Utilities is the big thing now," he said. Sources indicated Costa might call for a federal program to subsidize the utility bills of landlords who provide housing for persons on fixed incomes.

FINAL REPORT AND FINDINGS OF THE HOUSING SURVEY CONDUCTED IN CALHOUN COUNTY FOR THE CALHOUN COUNTY DEPARTMENT OF SOCIAL SERVICES, APRIL 1974

(Submitted by: Jim Beougher and Doug Merkle)

SUMMARY OF FACTS

37% of the Aid to Dependent Children clients in our sample have lived at the same address for over two years.

44% of the Aid to Dependent Children clients have lived in each residence an average of at least two years.

5% only of the Aid to Dependent Children clients interviewed have lived in each residence an average of less than six months.

93% of the Aid to Dependent Children clients in our sample, according to their landlord's statements, paid their rent within ten days of the due date.

91% of the Aid to Dependent Children families who are purchasing their homes made their house payments within thirty days of the due date.

90% of the Aid to Dependent Children clients were rated by their landlords as being average or above average tenants.

70% of the Aid to Dependent Children families rent from landlords with less than six rental units.

95% of the Aid to Dependent Children families surveyed have not done damage to their apartments which has caused the landlord to make repairs of over $100.00.

Senator MOYNIHAN. I think Ms. Forney, who is a member of the National Welfare Fraud Association, is next. Is Ms. Forney here? She may be here a little later.

In that case, we have a panel consisting of Mr. Michael Weinberg, director, Manhattan Youth Care and president, Kansas Association of Licensed Private Child Care Agencies—I assure that is Manhattan, Kans.; and Dr. Ian Morrison, president, Greer Children's Services Hope Farm, on behalf of the National Association of Homes for Children.

Mr. Weinberg and Dr. Morrison, we welcome you. You have an associate?

Mr. MORRISON. Mr. John Relihan, a colleague of mine.

Senator MOYNIHAN. I believe that we have written testimony from you, Dr. Morrison and Mr. Weinberg. Given our time circumstances, it would be good if you could follow the pattern set of your describing and adding to your written record so we can hear, Senator Danforth and I, what you have to say.

STATEMENT OF MICHAEL A. WEINBERG, DIRECTOR, MANHATTAN YOUTH CARE AND PRESIDENT, KANSAS ASSOCIATION OF LICENSED PRIVATE CHILD CARE AGENCIES

Mr. WEINBERG. Thank you, Senator.

Mr. Chairman, Senator Danforth, it gives me great pleasure, as a child care professional, to see that Congress is enacting legislation that would increase financial support and promote preventive programs for child care services.

I represent community based-group homes and residential care centers in Kansas and believe that many of our concerns and problems are congruent with other similar agencies throughout the Nation. The purpose of our agencies is to provide facilities and services which will afford supervised shelter, physical care, psychologic support and guidance, and other service required to assist us in meeting the needs currently handicapping the development and welfare of the youths and their families.

We are attempting to help the children in our agencies to develop skills that will allow them to cope successfully in society. These children frequently come to us with severe emotional problems in addition to adjudication of delinquent crimes. Upon entrance into our programs, we have found the youths to be undisciplined and accustomed to failure.

These behaviors and attitudes are primarily a manifestation of inadequate parenting, the lack of structure and limits, and the inability to obtain sufficient love. In order to alter these behaviors, the agencies have developed individual treatment plans for each child and his or her parents.

Obviously, a great deal of the treatment plans are rehabilitative in nature. To be a positive change agent in someone's life is inherently rehabilitative. However, there is also a strong preventive emphasis in the treatment programs designed for these children.

The youth care homes and residential centers identify three major areas of prevention. One, it is their aim to give their clients the strength and ego support that will enable them to proceed into adult life without feeling the need to participate in adult delinquent behaviors.

Two, it is their aim that these children will no longer need to be welfare recipients, but on the contrary, they will have been provided appropriate vocational members of society and successful in meeting future demands and responsibilities.

Three, these agencies provide direct or indirect parent education and family counseling programs. It is their aim to strengthen parental skills and to raise the quality of life for both the natural parents and existing siblings.

By limiting the additional $200 million from title XX funds to day care services and stipulating that foster care payments not exceed 1977 fiscal year levels from title IV–B funds, places child care services such as ours into severe budgetary havoc. Without this extra money, our budgets would not be able to adjust for inflationary costs nor promote increased program quality. The severity will be extreme when many agencies are forced to close their doors, subsequently denying many children and parents a viable treatment program.

I urge you to consider my recommendations concerning these provisions. These children and their families need our programs and without your support you will be prohibiting many children from having a normal and successful life.

I would like to refer you to the cover sheet of my testimony. Under "Principal Points" it is recommended that the increase of title XX of $200 million not be restricted to day care services in general, as stipulated and prioritized by the individual State plans.

It is recommended that the stipulation on title IV–B funds that requires States to spend no more for foster care payments than the fiscal year 1977 be deleted from this bill.

Senators, the group care homes and residential centers are small programs. We offer a viable alternative to the problems that we have been talking about for the past several days, but financially we are not going to make it. We are not going to make it because every year inflationary costs are not considered in terms of our funding. There is no room for program development. Each year we have to go out and raise more money just to meet our budget.

For example, with Manhattan Youth Care, our budget is $60,000 a year, but from the States we get only approximately $52,000. That means that we have to raise $8,000 from the Manhattan community. That is just to meet 1 year's budget. From a small community, that is an awful lot of money to continue to go about asking, just to meet the budgetary expenses.

If our programs close, what is going to happen to the children and the families in our programs? These children are not adoptable. We are talking about delinquents. We are talking about teenagers. You do not remove teenagers from their families and put them up for adoption when problems become evident. I think the group care homes and residential centers provide that, and there are thousands of agencies such as ours throughout the Nation.

Financially, we are being stifled. I am concerned as to what is going to happen to our kids and their families.

On behalf of Manhattan Youth Care, the Kansas Association of Licensed Private Care Agencies, and our kids, I thank you.

Senator MOYNIHAN. We thank you.

Dr. Morrison?

STATEMENT OF IAN A. MORRISON, PRESIDENT, GREER CHILDREN'S SERVICES HOPE FARM, ON BEHALF OF THE NATIONAL ASSOCIATION OF HOMES FOR CHILDREN

Mr. MORRISON. Senator Moynihan, I am Ian Morrison, chairman of the Public Affairs Committee of the National Association of Homes for Children, a 2-year-old organization of some 350 not-for-profit institutions providing residential group care for children in every State of the Union. The membership does not include large public institutions like Willowbrook, and I neither represent nor defend them.

In order that members of the committee know properly whom I represent, the identification of a few member institutions in a few States may establish a proper perspective: the Florida Sheriff's Boys Ranch, the Louisiana Baptist Children's Home, Yellowstone Boys Ranch in Montana, Campus House in Nebraska, Merrymeeting Farm in Maine, Evangelical Children's Home in St. Louis, Mo., Rosencrance Homes for Children in Illinois, Grace Home in Henderson, Nebr., Foundling Hospital, New York, Greer Children's Services, New York.

I could go on and on, but suffice it to say we represent homes governed by volunteer lay boards who are united in the belief that the care of children is too important to leave solely on the hands of professionals.

Many of these institutions for children are similar to the one of which I am chief executive in New York. That institution, in addition to its campus-type programs for the care and treatment of children, has 15 group homes in and around New York City, a network of foster boarding homes, an adoption service that places only hard-to-place children, and a family service staff in the middle of New York City, 3 remedial schools and a summer camp. At another end of the country, Buckner Baptist Benevolences in Texas does similar work.

As representative of those residential care agencies and the hundreds of similar ones associated in our young unstaffed organization, I commend this Congress for the many needed preventive services and subsidized adoption provisions in the social security amendments before you which we strongly recommended be enacted 18 months ago in our testimony before the Joint Senate-House Subcommittee on Children and Youth.

With all due respect, however, we would warn of the danger of euphoria, for if adoptive subsidies are approved, no one should expect the miracle of seeing tens of thousands of hard-to-place children suddenly adopted because of new financial incentives.

Incentive help, particularly in encouraging low-income families to adopt, but our experience indicates that it is wishful thinking to believe that there will be a stampede of prospective adoptive parents for mentally or physically ill children, particularly those of minority groups and/or over the age of 14.

One needs to caution also that beneficial as are many of the provisions contained in this legislation, there are cost-effective options available for implementing the mandates to the various States which are not encouraged in this legislation. We suspect that to be no accident, but rather reflective of the anti-institutional bias of the framers of these amendments.

Senator MOYNIHAN. May I say this has been very clear. There is some anit-institutional movement to this whole enterprise. It comes through everything that we have heard, which may be a good or a bad thing. I am neutral.

Mr. MORRISON. Senator, I am delighted that you recognize that, because there are no specific provisions within this legislation for the utilization of the practiced skills found in voluntary residential group care organizations or the hundreds of millions of dollars worth of group care facilities paid for by privately raised dollars which are freely offered to families, localities, States, and you for the care of children.

How else explain ignoring the social and fiduciary trust long exercised by the voluntary lay boards associated with children's institutions and who represent your peers and community leaders in your States?

Senator MOYNIHAN. Since our time is limited, I wonder if Senator Danforth would not agree that this would be a useful point to pursue, which are the provision in this bill, H.R. 7200, that the bill, the proposal, from HEW that you would wish to see eliminated in this context?

Mr. MORRISON. I am not at all sure I would recommend that anything be eliminated in this bill. I would say that since our testimony, which I believe you have, documents our attack on assumptions in this bill, assumptions which we believe have misled the framers in the direction that ignores the voluntary institutional field.

Senator MOYNIHAN. Is this an argument in the profession?

Mr. MORRISON. Yes, sir. It certainly is.

Senator MOYNIHAN. If I went up to the Columbia School of Social Work, would I find people lecturing against Boys Town?

Mr. MORRISON. That you would. It is an argument that has been on for at least 70 years. It seems to cycle every decade.

Senator MOYNIHAN. Yes, sir. We seem to be at the peak of the cycle at this moment.

I would recommend, aside from some specific recommendations which already have been made about adoption procedures, I would recommend specific encouragement in language in this legislation which would encourage the States to utilize the skills and resources of the not-for-profit social service organizations, including child care institutions. I use again, in quotes, "child care institutions" in providing preventive adoption and family reunification services.

I would use, again, language that would encourage governmental child placement agencies to utilize, whenever possible, the resources of the not-for-profit child care residential agencies, rather than restricting them on the basis of incomplete or intuitive data.

I would also recommend that there be strong incentives to the State to make certain that certain State public officials comply with the existing Social Security Act requirements to establish and maintain standards of foster care institutions that would be consistent with standards developed by the National Association of Homes for Children.

Additional cataclysmic legislation should not be enacted because some States have failed to do their jobs properly, and that is the gist of our recommendations.

Senator MOYNIHAN. It is very explicit, to me, at least. This helps us know what is going on out there.

Senator Danforth?

Senator DANFORTH. Mr. Weinberg, you are now the director of Manhattan Youth Care?

Mr. WEINBERG. That is correct.

Senator DANFORTH. What is that?

Mr. WEINBERG. It is a licensed youth care home with children adjudicated through the court system.

Senator DANFORTH. Who was instrumental in setting up this system? Is there not sort of a system of small group homes for kids in Kansas?

Mr. WEINBERG. That is the Kansas Association of Licensed Child Care Agencies. We have several different types of agencies in our State, for example, Manhattan Youth Care is an independent, small youth home. There are other youth care home programs, residential centers, such as the villages from the Meninger Foundation, the Methodist Youth-Ville.

Senator DANFORTH. Meninger. Have they not been instrumental in developing the concept of small group homes for dependent, neglected kids instead of institutionalizing them in the very large State training schools?

Mr. WEINBERG. Yes, Senator.

Senator DANFORTH. In fact, we had a program in our State which attempted to provide, and does attempt to provide, an alternative to the big State training schools that have these little clusters and cottages and so on and are now located around the States. I think Kansas was the pattern that we followed.

Mr. WEINBERG. That is correct. We in Kansas have been doing this for quite some time. The financial differences also are quite evident.

For example, the youth center at Tokepa is a State institution for many kinds of children that we have in our program which costs roughly $42 a day. Manhattan Youth Care is at its limits in terms of what a group care home can receive from the State. It is $16.53 a day per boy.

Senator DANFORTH. This concept of 10 children in a home has been viewed as a step forward or a progressive step from the large institution. Is that not right?

Mr. WEINBERG. That is correct.

Senator DANFORTH. In your present budget did you say it is $60,000? Where do you get that $60,000?

Mr. WEINBERG. We get $52,000 from the $16.53 a day per boy from the State Department. That is from a purchase of service contract with the State.

Senator DANFORTH. $52,000 comes from the State?

Mr. WEINBERG. Approximately.

Senator DANFORTH. Where does the other $8,000 come from?

Mr. WEINBERG. We raise that from community support.

Senator DANFORTH. It is your view if either 7200 or the administration's version of 7200 would become law, you would not get the full $52,000 that you get from the State?

Mr. WEINBERG. We would continue to get the $52,000, the $16.53. The problem is, that is the maximum that we can receive. Inflation continues to rise and it does not allow us for program increase.

Every year that goes by, we lose money, and that means we have to go and raise more money. That means more time going out to the community, securing more funds. There really are not that many funds to secure. It exhausts administrative time. As director, I am head of social services, staff supervision, counseling services, and I also have to do administrative work in terms of fundraising, which is taking me away from the clients.

So we are continually in this dilemma. There are thousands of group homes throughout the country in this bind. That is why these provisions in this bill are going to hurt us.

Senator DANFORTH. Thank you.

Senator MOYNIHAN. We would appreciate it if you could give us a brief elaboration of how you would like the bill changed. We are responsive to your points of view. We have not heard from you before. It is the peak of the other cycle. Or maybe it is the trough.

[The following was subsequently supplied for the record:]

July 24, 1977.

Hon. PATRICK MOYNIHAN,
Subcommittee on Public Assistance, Chairman, Dirkson Building, Washington, D.C.

DEAR SENATOR MOYNIHAN: I would like to thank you for inviting me to testify on HR 7200. This is a summary statement for the record, concerning my testimony.

Community-based Group Homes and Residential Centers receive approximately 80% of their actual annual expenses from their respective States. This money is usually Title XX, or Title IV.A or B. funding is addition to state matching funds. This deficiency between payment and costs increases every year due to inflation and will not allow for new program development or increases program quality. In just a few years, it will cause many Group Homes and Residential Centers to close.

If the Federal Government is going to recommend through either actual legislation or the intent behind legislation to deinstitutionalize facilities housing children who are emotionally disturbed, dependent and neglected, or who have been adjudicated on delinquent charges, they must present on a Federal level an alternative plan.

Community-based Group Homes and Residential Centers are a viable and successful alternative to deinstitutionalization. However, unless Federal money is more available to the state for continual financial support, with the goal of obtaining 100% cost of services, rather than each year paying less of the costs, the entire deinstitutional process will be a mockery to the Social Services system.

I understand that Dr. Morrison has sent your office an articulated statement concerning our changes in the legislation materials. I hope that with my testimony and this letter you will fully understand our dilemma.

Thank you again.

Sincerely,

MICHAEL A. WEINBERG,
Director Manhattan Youth Care,
Kansas Association of Licensed
Private Child Care Agencies/President.

Senator DANFORTH. May I ask one more factual question?

The kids who are assigned to juvenile court do this, right?

Mr. WEINBERG. That is correct.

Senator DANFORTH. What is the average age?

Mr. WEINBERG. The average age, in Kansas I do not have the statistic. The average age in my agency is 16½. We at Manhattan take the very hard-to-place youth. We take those with a long history of juvenile delinquency, with a long history of foster placement from one agency to another.

We have been taking older kids.

Senator MOYNIHAN. These children are just 18 months from being eligible to vote for President.

Mr. WEINBERG. The average age is probably about 16 years of age. Most group homes I am talking about are licensed for children between the ages of 12 to 18.

Senator MOYNIHAN. Gentlemen, we thank you so much.

[The prepared statement of Mr. Morrison follows. Oral testimony continues on p. 388.]

PREPARED STATEMENT ON BEHALF OF THE NATIONAL ASSOCIATION OF HOMES FOR CHILDREN DELIVERED BY IAN A. MORRISON, CHAIRMAN, PUBLIC AFFAIRS COMMITTEE

I am Ian Morrison, Chairman of the Public Affairs Committee of the National Association of Homes for Children, a two year old organization of some 350 not-for-profit 'institutions' providing residential group care for children in every state of the union. The membership does not include large public institutions like Willowbrook and I neither represent nor defend them.

In order that members of the committee know properly whom I represent the identification of a few member 'institutions' in a few states may establish a proper perspective: The Florida Sheriff's Boys Ranch, The Louisiana Baptist Children's Home, Yellowstone Boys Ranch in Montana, Campus House in Nebraska, Merrymeeting Farm in Maine, Evangelical Children's Home (St. Louis, Missouri), Rosencrance Homes for Children in Illinois, Grace Home in Henderson, Nebraska, Foundling Hospital, New York, Greer Children's Services, New York. I could go on and on, but suffice to say we represent homes governed by volunteer lay boards who are united in the belief that the care of children is too important to leave solely in the hands of professionals.

Many of these "institutions for children" are similar to the one of which I am chief executive in New York. That 'institution', in addition to its campus type programs for the care and treatment of children has fifteen group homes in and around New York City, a network of foster boarding homes, an adoption service that places only "hard-to-place" children, and a family service staff in the middle of New York City, three remedial schools and a summer camp. At another end of the country Buckner Baptist Benevolences in Texas does similar work.

As representative of those residential care agencies and the hundreds of similar ones associated in our young unstaffed organization I commend this Congress for the many needed preventive services and subsidized adoption provisions found in the Social Security amendments before you and which we strongly recommended be enacted eighteen months ago in our testimony before the Joint Senate House Subcommittee on Children and Youth.[1]

[1] I. Morrison and J. Relihan, *Foster Care in the United States: An Overview*, National Association of Homes for Children, Charlotte, N.C., 1975. Testimony presented to the Joint Committee on Children and Youth, December 1975.

With all due respect, however, we would warn of the danger of euphoria, for if adoptive subsidies are approved no one should expect the miracle of seeing tens of thousands of hard-to-place children suddenly adopted because of new financial incentives. Incentives help, particularly in encouraging low income families to adopt, but our experience indicates that it is wishful thinking to believe that there will be a stampede of prospective adoptive parents for mentally or physically ill children particularly those of minority groups and/or over the age of fourteen.

One needs to caution also that beneficial as are many of the provisions contained in this legislation there are cost-effective options available for implementing the mandates to the various states which are not encouraged in this legislation. We suspect that to be no accident, but rather reflective of the anti-institutional bias of the farmers of these amendments. How otherwise explain the lack of specific provision for the utilization of the practiced skills found in voluntary residential group care organizations or the hundreds of millions of dollars worth of group care facilities paid for by privately raised dollars which are freely offered to families, localities, states and you for the care of children? How else explain ignoring the social and fiduciary trust long exercised by the voluntary lay boards associated with children's "institutions" and who represent your peers and community leaders in your states.

The core of my remarks here today will be directed toward balancing the very clear anti-institutional bias of these amendments, and in H.R. 7200 which was rushed through the House in apparently unseemly haste.

Remarks in the Congressional Record [1] attendant the House passage of these amendments would seem to indicate that there exists a data base for conclusions that institutions 'warehouse' children, that institutions are more expensive than foster boarding homes or group homes, that institutions in any form have generally damaging conequences for children relative to psychological and social development.

Well, perhaps somewhere there exists sufficient objective data about publicly operated institutions or profit-making institutions but I challenge anyone to reveal a national data base about non-profit institutions where most of the group care children are that would lead anyone to the conclusions upon which these amendments seem to be written.

For instance, in 1976 the Department of Health, Education and Welfare goaded by the then Senator Mondale engaged in a study of the available literature on institutional effects on children.[2] This is what the ensuing report says:

"Over 400,000 children live in custodial institutions for neglected, dependent, delinquent, disturbed, retarded, and physically handicapped children. *Knowledge about the impact of these institutional experiences on the development of children is not clear and is fragmented.* "Most studies of institutional care have looked at the degree to which standards are met or have looked at the delivery systems for care. A major criterion for determining the quality or effectiveness of institutional experience has been the incidence of discharge from the institution. If a child is released and returns to the community, it is generally assumed that the institutional experience was effective. Thus, meeting of standards and discharge from the institution have comprised the major research thrusts.

"There is minimal information on the impact of the residential institutional experience on the development of children. What does the experience do to the physical, cognitive, social, and emotional development of children?"

That report doesn't say the institutional experience is bad. It doesn't say it is good. It does say there is really no information about whether institutional care is good or bad.

How then does such anti-institutionalism enter into amendments? Is it bias? Or is it intuition?

Those of us with many years of day-to-day experience in working with children discovered long ago that intuition when applied to our child welfare generally resulted in wrong conclusions.

Too many modern child advocates, successors to the anti-institutional reformers of the turn of the century (and in cycle in each of the next decades) seem to find the source of their conclusions in a collective dread image of

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[1] *Congressional Record*, March 31, 1977.

[2] Office of Child Development, DHEW, *Statement of Priorities for Research and Demonstration Activities in the Area of Children at Risk and the Child Welfare System*, Fiscal 1976, Mimeo, D. C., pp. 1–2.

old-fashioned and long non-existent orphanages. The collective imaginings are often fueled by highly selective and sensational exposes in news media which when carefully examined reveal muckracking rather than factual substance.

There are, however, local data bases of exceptionally recent edition which might well be extrapolated to the national level. Unlike the GAO report[4] in which investigators visited merely 18 institutions in 4 widely scattered states and found that seven institutions had serious deficiencies "in equipment", the reports to which I will refer encompass 15% of the institutional foster care population in the United States.

I know of no other sample of the foster care population as large, and the sample to which I refer is based on the 50,000 children in foster care in New York State, 12,000 of whom are in the care of not-for-profit so-called "institutions".

Five years ago, outraged at what it believed to be excessive costs in the voluntary institutions the state legislature demanded that the Department of Social Services acquire the factual data which would ensure that the state was paying no more than its lawful cost for such care. While the study had some false starts the methodology which finally evolved to develop a data base was excellent. Under the direction of Governor Carey's Director of Social Services, Philip Toia, now New York State Budget Director, the income and expenses of the 80 institutions was reported, analyzed and audited; a system of classifying children was developed and a team of auditors visited each institution to verify the classifications made in each institution while every financial report was subject to desk audit.

The result? Commissioner Toia discovered and reported:[5]

1. Over 90% of the institutions were totally accurate in their reporting.
2. 90% of the children in the 80 institutions *needed to be in the institutions.*
3. In general the institutions were underpaid in light of the costs incurred.

I remind you that as a sample of the 350,000 children nationally in foster care, the New York population is 1/7 or 50,000 children and the 80 institutions in New York care for 12,000 of those 50,000 children.

Eighteen months prior to this study, the independent "Bernstein Report" by another New York State government agency determined that merely 7% of the children in institutional care might be able to go home if all preventive services were in place and working.

Since the not-for-profit institutional field had no opportunity to be heard in the passage of these amendments in the House, nor was opportunity provided on the floor to question them you are addressing yourselves to future legislation on the basis of existing data which is fragmentary or non-existent on a national level.

Because of the lack of 'hard' data and since we believe much of the material presented to you, in these amendments; by the Secretary of HEW; and by others who have presented testimony; to be based on hazy assumptions which if enacted in legislation will have serious disruptive effects on the voluntary child care system in your states, we urge that you take a long and careful look at the effects of legislation which cannot be supported by facts.

Looking at the assumptions presented to you so far we have been able to counter most of them with documented data already existent. We wish to examine some of those assumptions and append to this testimony the source for each of our countering facts.

Assumption No. 1.—The availability of federal funding has and does encourage use of foster care placement rather than alternatives to such placement.

Fact.—"The states have not, however, observed any significant rise in the number of children coming into care from AFDC families." "In nine of the eleven states studied, it was said that the AFDC foster care program had had little influence on the development of foster care; there has been no influx of AFDC children; relatively little federal money has been received; assistance funds are not used for services development."[6]

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[4] Report to the Congress, Comptroller General of the United States, *Children In Foster Care Institutions—Steps Government Can Take To Improve Their Care,* February 1977.

[5] P. Toia, Commissioner, New York State Department of Social Services, *A Program Classification Approach To Settling Maximum State Aid Rates for Foster Care of Children in Institutions* (draft), June 21, 1977.

[6] W. Oliphant, *AFDC Foster Care: Problems and Recommendations,* Child Welfare League, 1974, pp. 11–12.

Assumption No. 2.—Most of the children in the foster care population are related to the AFDC care program and supported by AFDC funds.

Fact.—"The proportion of AFDC foster care children in the total population of children in foster care in all the states studied is about 33% . . ."[7]

Assumption No. 3.—Children are indiscriminately placed in foster care by state placement agencies.

Fact.—Of New York City's foster care population of 28,000 children, less than 7% *could* have had placement prevented or *could* be returned home and then *only if* multiple services *were* available in the community.[8]

". . . most states are experiencing difficulty in providing for *children clearly in need of care*" (emphasis added).[9]

". . . (states) *use placement only after careful consideration.*" (emphasis added)[10]

Assumption No. 4.—Public financial participation in the support of foster care programs is significant.

Fact.—Federal financial participation share in expenditures average 17% in nine states studied.[11]

Many non-profit child care agencies accept no public funds; many are reimbursed at considerably less than cost of services; most have facilities constructed entirely from privately contributed funds (in New York State as estimated $200 million worth of facilities are contributed to the State for foster care purposes.)

"Most states have yet to receive any significant amounts of federal funds for foster care."[12]

With respect to voluntary institutions in Georgia, the General Accounting Office "observed that private donations significantly subsidized the operations of the State's institutions."[13] Such is the case in New York and in many other states.

Assumption No. 5.—Children are inappropriately placed in foster care "institutions."

Fact.—The New York State Department of Social Services after an audit of children's records in all foster care "institutions" in the state reported that 90% of the children "clearly need institutional care." (emphasis added)[14]

A computer analysis of all New York City children currently placed in foster care "institutions" led the Child Welfare Information Services, Inc. to conclude that "it is clear that the *children in institutional care are different—a special group.*" (emphasis added)[15]

The United States Government General Accounting Office found in its study of foster care "institutions" that many of the children were so placed because of mental or behavioral problems.[16]

Assumption No. 6.—Foster care placement is *intended* to be temporary.

Fact.—"Because of a misconception of the nature and gravity of problems that lead to family breakdown and the need for placing children in foster care, (the belief of two states) that *short term placement of children was a key to rehabilitation* of inadequate AFDC families was found to be erroneous." (emphasis added)[17]

In exhaustive study researchers *biased against placement* indicated that less than 7% of New York City's 28,000 children in foster care *could* (with the provision of an array of community services) be returned home.[18]

Assumption No. 7.—Foster care institutions are not needed and should be decreased in favor of more foster family boarding homes.

Fact.—"The surplus in foster homes will continue through 1985 . . ." "Planning for the foster placement needs of children during the coming ten years

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[7] *Ibid.*, p. 8.
[8] B. Bernstein, D. Snider, W. Meezan, *Foster Care Needs and Alternatives to Placement, A Projection for 1975–1985*, New York State Board of Social Welfare, November, 1975, pp. 29–32.
[9] W. Oliphant, *op. cit.*, p. 15.
[10] *Ibid.*, p. 15.
[11] *Ibid.* p. 8.
[12] *Ibid.*, p. 11.
[13] Comptroller General of the United States, *op. cit.*, p. 15.
[14] P. Tola, Commissioner, New York State Department of Social Services, *op. cit.*, p. 2.
[15] J. Hinkel (ed.) *Focus on Institutions*, Child Welfare Information Services, Inc., N.Y. N.Y., June, 1977, p. 4.
[16] Comptroller General of the United States, *op. cit.*, p. 4.
[17] W. Oliphant, *op. cit.*, p. 35.
[18] B. Bernstein, D. Snider, W. Meezan, *op. cit.*, pp. 29–32.

must take account of the fact that the children needing care will be older." "We need them now and we are going to need them five and ten years from now." [19]

Now the children who require (substitute care) are more frequently those who are so disturbed or who come from a situation so disorganized that *even supportive and supplementary care would not permit them to be kept in their own or in foster homes.* The institution receives *those who are unable to use family-type substitute care* . . . the most difficult of the most difficult cases/" (emphasis added) [20]

Foster homes are more appropriate for younger, well-adjusted children. But the Child Welfare Information Services, Inc. reports that children currently in New York institutions are: (a) *More than twice as old* at age of entry into care than the average foster care child and (b) *three times as likely to be placed for behavioral reasons and mental problems.* [21]

Assumption No. 8.—Placement of children in foster family boarding homes and group homes in the community is less detrimental to children then placement in "institutions."

Fact.—"With regard to dependent and neglected children, there is widespread presumption that the living environment provided by a foster family home or a group home is better than that provided by a residential institution. As we have shown above, the empirical evidence for that position is incomplete, and even non-existent where one is interested, say, in comparing the effects on children of a series of foster family homes with those of a given institution." [22]

"Even if it is intuitively felt that most dependent and neglected children would be better off in non-institutional settings, we should remember that most of these children are already in noninstitutional settings. Without more satisfactory empirical evidence, further efforts at deinstitutionalization might best be conducted in a selective manner. It can be questioned whether policies of wholesale deinstitutionalization, such as those recently adopted in Washington, D.C., are in the children's best interests. We should remember that closing institutions removes only a particular form of care—it does not guarantee that better care will be provided in its place." [23]

". . . based on what we know, the effects of foster care appear to be no more—and no less—damaging than those of institutional care." [24]

". . . the results from studies that have been done to date on the effectiveness of group treatment homes . . . are inconclusive. In other words, we simply don't know whether the group treatment home is superior to institutionalization or not." [25]

"The evidence at hand does not particularly support foster family care as more humanizing or shorter in term" than institutional care. [26]

". . . eligibility standards for foster parents in many states are already so low that the quality of many persons currently performing as foster home parents is open to serious question." [27]

Assumption No. 9.—"Tens of thousands of these children are placed in inappropriate, often unfeeling, institutions, ranging from group homes to large and impersonal "warehouses". [28]

"One reason why voluntary foster care system operations encounter problems is that public policy fails to take account of voluntary sector heterogeneity." [29]

Assumption No. 10.—Local communities in which group homes are established can and will meet the service needs of the children.

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[19] *Ibid.*, pp. 37–38.
[20] A. Kadushin, *Child Welfare Services*, Macmillan, N. Y., N. Y., 1974, p. 652.
[21] J. Hinkel (ed.), Child Welfare Information Services, Inc., *op. cit.*, p. 2.
[22] J. Koshel, *Deinstitutionalization—Dependent and Neglected Children*, The Urban Institute, D. C., 1973, p. 53.
[23] *Ibid.*, p. 53.
[24] G. Thomas, *Is Statewide Deinstitutionalization of Children's Services a Forward or Backward Social Movement?*, Regional Institute of Social Welfare Research, Georgia, 1976, p. 35.
[25] *Ibid.* pp. 37–38.
[26] *Ibid.*, p. 49.
[27] *Ibid.*, p. 31.
[28] Statement of Joseph A. Califano, Jr., Secretary, Department of Health, Education and Welfare Before The Subcommittee on Public Assistance Of The Senate Finance Committee, July 12, 1977, p. 4.
[29] D. Young and S. Finch, *The Voluntary Child Care System in New York: Sectoral Trends and Agency Operations*, Interim Report 75–01, Institute for Public Policy Alternatives, State University of New York at Stony Brook, 1975.

Fact.—The largest group home agency in New York State maintains "that the 30 (school) districts in which our youngsters attend school *are incapable* of providing (the) children with the requisite educational resources and supports, including advocacy, which most of them require to be able to live in residential settings."[30]

Assumption No. 11.—Foster care in family boarding homes and in group homes is less expensive than care in "institutions."

Fact.—"One matter that is becoming clearer as this approach (i.e. group homes) to child placements develops is that the costs involved in its provision *may exceed costs for all other types of residential care, including institutionalization.*"[31]

"The evidence on the superiority of alternative forms of care—and their lower costs—is, at best, inconclusive."[32]

Dr. George Thomas of the University of Georgia found that in a direct comparison of custodial institutional care to non-specialized foster family care, the average per diem costs differed by merely five to ten percent.[33]

In New York City the majority of rates paid to the voluntary sector for the care of children in group homes equals or is in excess of rates paid for care in institutions.

Economic laws indicate that all other things being equal the cost of care of children is less in large institutions than in small institutions.

Assumption No. 12.—Children in "institutions" are adrift, warehoused, and remain for long periods of time.

Children are in "institutions" *only one third as long* as children in other foster care settings—a median of *one year* as compared to *three years.*[34]

"Statistics show that such institutional placement is *not* long term substitute care." (Emphasis added.)[35]

Contrary then to widespread beliefs which have been presented to you as fact by others, the objective studies and data to which we have pust referred indicate the following:

1. Only 33% of the entire foster care population in the nation is benefiting from AFDC funding and,

2. only 25% of that number of children are in institutions; including large public institutions, proprietary institutions and, not-for-profit residential group care agencies.

3. In the verified experience of the state with the largest number of children in foster care institutions (not-for-profit residential group care) 90% of the children so located needed to be there.

4. An objective analysis of the need for foster care placement in that state projects a need for many more specialized institutions over the next ten years, even if all preventive services are in place.

5. Such "institutional" form of care has been shown to be no more detrimental to children than any other form of care.

6. Such institutional form of care has been shown to be no more expensive than other forms of care such as group homes and only slightly more expensive than foster homes where arrays of treatment services may not be present.

7. Children in institutional care remain in care *only one-third* as long as children in foster care generally.

On the basis of these facts we recommend certain changes to these amendments.

We recommend:

1. Since the adoption provisions before you are not sufficiently generous, assurance of continued adoption subsidies to a child's majority without a means test for the adopting family and,

2. Continued eligibility of the adopted child for Medicaid assistance for pre-existing medical conditions, either physical or mental.

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[30] J. Weiner, Executive Director, "'Abbott House Grapevine", Abbott House, Irvington-on-Hudson, N. Y., June, 1977.
[31] G. Thomas, *op. cit.*, p. 38.
[32] G. Thomas, *op. cit.*, p. 49.
[33] G. Thomas, "Comparative Costs of Institutional and Foster Family Child Care in Chatham County", 1973, as quoted in G. Thomas, "Is Statewide Deinstitutionalization of Children's Services a Forward or Backward Social Movement?", Regional Institute of Social Welfare Research, Georgia, 1976, pp. 25–30.
[34] J. Hinkel (ed.) Child Welfare Information Services, Inc., *op. cit.* Chart VII.
[35] A. Kadushin, *op. cit.* p. 631, quoting U.S. Census Report of 1966.

3. Specific encouragement to the states to utilize the skills and resources of the not-for-profit social service agencies, including child care agencies such as "institutions", in providing preventive, adoption and family reunification services.

4. The encouragement of governmental child placing agencies to utilize whenever possible the resources of the not-for-profit child care residential agencies rather than restricting them on the basis of incomplete or intuitive data.

5. Incentives to the states to make certain that state public officials comply with Social Security Act requirements to establish and maintain standards for foster care institutions, which will be reasonably consistent with standards developed by, say, the National Association of Homes for Children. Additional cataclysmic legislation should not be enacted merely because some states have failed to do their job properly.

6. Despite our reservations about overburdening the judiciary with judicial review of social service judgements we urge, if you persist in this course, that specific provision be made in these amendments to permit the states to reimburse the voluntary foster care agencies for the excessive costs that they will incur as a result of judicial review, and to meet the other accountability requirements of this legislation.

Senator MOYNIHAN. Is Ms. Forney here?

Mr. Forney, we are sorry. Would you come forward, please? We called you earlier.

Ms. FORNEY. I am sorry. The plane was 40 minutes late.

Senator MOYNIHAN. You are arriving, but you are under great pressure?

Ms. FORNEY. Yes; I am. I have to be back at the airport to take a 10:20 plane. I have a speech at noon.

Senator MOYNIHAN. We have your testimony.

STATEMENT OF DOROTHY M. FORNEY, MEMBER OF THE BOARD, NATIONAL WELFARE FRAUD ASSOCIATION

Ms. FORNEY. I think my testimony will be a bit different from what you have heard.

The Senate Finance Committee, uniquely among the committees on Capitol Hill, has had the good judgment to prevent Congress from succumbing to ill-conceived public welfare projects in the past. In an age when the applause is given to misplaced idealism, it is necessary that a realistic sense of dollar values be given careful legislative oversight. Consequently, the National Welfare Fraud Association, which heartily endorses efforts to prevent misuse of public funds, welcomes this opportunity to offer suggestions which would improve the bill before you.

Our organization includes district attorneys, investigators, welfare administrators, income maintenance workers, eligibility workers, and others who have been dismayed by the misuse of public funds in recent years. They feel the welfare system as it is now operated fails to "Help the Needy and Eliminate the Greedy," as our motto expresses it.

Welfare fraud breaks down into three general categories: recipient fraud, vendor fraud, and employee fraud.

Recipient fraud is committed in a number of ways: unreported income; change in family composition; child swapping; multiple addresses and social security numbers; nonpayment of child support; nonreporting of receipt of child support. This is only a partial list.

Vendor fraud, although not encompassing as many people, is the largest money fraud. It includes physicians, pharmacists, dentists, and other professionals, nursing homes, and hospitals.

Employee fraud includes collusion with an individual outside agency who acts as a front to receive checks to which neither employee nor outsider is entitled; collusion between two or more employees—especially with food stamps.

This is a broad overview. Many jurisdictions would be able to add to each of the lists, but the fact that fraud exists in each of these areas is sufficient reason to urge preventive measures. Only when the system is cleaned up and only the needy are given the helping hand they need will the taxpayers be willing to provide funds to the welfare system of our Nation without complaint.

H.R. 7200 is a comprehensive wrap-up of a number of loose ends in several areas of the AFDC program, foster care, social services, child welfare programs, SSI, and others. Its authors are to be commended.

The National Welfare Fraud Association supports further additions to H.R. 7200, particularly in the area of reforms to prevent and detect fraud.

Since my testimony in full detail has been submitted to the committee, I will confine my remarks here only to our recommendations.

One, place a strong AFDC quality control system in the new Office of the Welfare Inspector General. This Office is now charged with responsibility for fraud and abuse in welfare in HEW. When the AFDC program was moved to the Social Security Administration earlier this year, quality control accompanied the move. However, it would seem that the logical place for quality control should be under the Welfare Inspector General's jurisdiction.

The system should be equipped and programed to show total errors in dollars and should be capable of showing where the errors are occurring—both geographically and whether in administration or by applicant or recipient.

It should provide management information which will improve administration from several standpoints: efficient delivery of cash to those truly in need, effective deterrence of admission to the rolls of those who are not in need, and swift prosecution of those who defraud.

Two, tolerance levels of errors and fraud set by statute. Statutory requirements for tolerance levels of error and fraud should be established. As before, these could be 3 percent for error and 5 percent for overpayment. The setting of suc-levels is a part of effective quality control, and mandated sanctions should accompany such legislation. In the past, although sanctions existed, when the time came to enforce the sanctions, HEW has not followed through. There is nothing so ineffective as a threat for noncompliance which is never imposed. The States have become accustomed to HEW backing down, and therefore good management suffers commensurately. Violations deserve sanctions and nothing would be as effective in making the States clear the system of the greedy as their imposition when deserved.

As an alternative, legislation could be considered to offer States a bonus for containment with certain tolerance levels. This would serve as an incentive to good performance.

Three, provide a statutory basis for information exchange. Legislation is needed to establish earnings clearance systems which would yield, but not be limited to, information from employers' reports of earnings; cross-checking with unemployment compensation records; matching welfare rolls with other Government payrolls; and a check of duplicate social security numbers.

In line with this, although not previously listed among recommendations in the full text of my testimony but covered on page 7, we urge establishment of a national central registry system. Such a system would provide instant reference for duplication across State lines and prevent money going to those who would defraud the system. A similar approach, called IDEX and developed more than 2 years ago by HEW, is presently being used successfully between Washington, D.C., and Maryland, and is contemplated in 28 other States.

You are absolutely correct in your book, "Politics of a Guaranteed Income," when you said the first fact about welfare dependency is that there is astonishingly little dependable information. There is a critical absence of reliable statistics with respect to fraud and abuse. HEW has stated there is less than 0.8 percent fraud. Figures quoted by other States at a recent meeting in the Welfare Inspector General's Office were as high as 40 to 50 percent.

Somewhere in between lies the truth. The only way to determine that truth is to require statutorily the collection of all fraud and abuse data from the States. This should include cases filed, investigations underway, cases settled by plea bargaining, restitution, or other means.

The magnitude of the problem is hidden without reliable statistics, and a realistic approach cannot be undertaken until it is recognized.

Five, increase matching funds for fraud and abuse control efforts. At the present time, it can be interpreted that there are 50–50 matching funds available for the proper and efficient administration of the AFDC program. However, with budget constraints plaguing most States, the States use 50–50 money for normal administration of assistance programs. If the match were to be increased to 75–25 or 90–10—for which there is precedent in other programs—there would be an incentive for the States to increase efforts to control fraud and abuse.

We urge the committee's consideration of such an increase to stimulate the apprehension of those who deliberately rob the system of moneys which could instead be diverted to those truly in need.

Six, mandate the use of photo ID's. The use of photo ID's has been cited by several States as being an effective tool in the control of duplications and fraud, and in reducing caseloads. In Pennsylvania, where the duplicate check problem approached more than 20,000 checks a month 2 years ago, duplications have been reduced to about 2,000.

Sophisticated photo ID's are now available, and these should be studied and tested. Then the best system should be mandated to help reduce fraud and abuse.

In addition, other ID systems, such as fingerprinting, might be considered.

To quote from your book, "Coping," the true issue, you said, about welfare, is not what it costs the taxpayers, but what it costs the recipients. I reiterate what you suggested yesterday, that we should be outraged at what is happening. It is not only the taxpayer who is being ripped off, it is the recipient who is truly in need who is also being ripped off.

We offer the committee the expertise of our organization as a whole and of individual members in particular who may be useful to you.

I do thank you for the opportunity of appearing before you.

Senator MOYNIHAN. Ms. Forney, Would you like to manage the hearings of this committee in the future? We have yet to see someone come in and say I can say what I can say in 8 minutes and finish in 7. It is astonishing.

We are worried about your time.

Ms. FORNEY. I have a couple of minutes.

Senator MOYNIHAN. Let me say that we listened with great care to what you said. Do not be surprised if we do something about it.

You are speaking to a true question. You are speaking fairly and competently. I am a little worried about this proposal to have States report on their efforts about fraud. I see another bureau arising in HEW with mounds of unread reports.

Ms. FORNEY. I do not think we need that. All we need are the tools to work with. If we are given the tools, I think the States themselves, and the various organizations within the States, can take care of this if we are allowed the tools.

Senator MOYNIHAN. You think the photo ID has been effective?

Ms. FORNEY. Extremely effective. Philadelphia is an outstanding example. When you drop from 20,000 duplicate checks a month to 2,000—the only reason the 2,000 exists now is that we do not have the full ID system in two very crucial small areas of the city. That is simply because we do not have the banks that will handle it.

Senator MOYNIHAN. We have to express our regrets that you can only be with us briefly. It is our fault that we did not hear you yesterday.

Ms. FORNEY. I am awfully sorry. If I may be helpful in the future, please call on me.

Senator MOYNIHAN. Senator Curtis particularly wanted you to appear. I know he wishes he could be here this morning, as he would have been yesterday afternoon. We will see that he receives a copy of your testimony, and we appreciate your being so forthright and explicit and cheerful about it all.

[The prepared statement of Ms. Forney follows:]

PREPARED STATEMENT OF DOROTHY M. FORNEY, MEMBER OF THE BOARD, NATIONAL WELFARE FRAUD ASSOCIATION

The Senate Finance Committee, uniquely among the committees on Capitol Hill, has had the good judgment to prevent Congress from succumbing to ill-conceived public welfare projects in the past. In an age when the applause is given to misplaced idealism, it is necessary that a realistic sense of dollar values be given careful legislative oversight.

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This is a broad overview. Many jurisdictions would be able to add to each of the lists, but the fact that fraud exists in each of these areas is sufficient reason to urge preventive measures. Only when the system is cleaned up and only the needy are given a helping hand will the taxpayer be willing to provide funds to the welfare system of our nation without complaint.

"Administrative error" has become one of the more common reasons for overpayments and underpayments. If quality control is relaxed or non-existent, administrative errors will continue to rise and fraud will become even more rampant. Quality Control is a means by which both administrative errors and fraud can be monitored, and is an important step in the system of checks and balances. Without it, the federal pocketbook is at the mercy of the states which are careless and wasteful.

Complex, confusing and restrictive regulations at all levels constitute another major problem in welfare administration. A good quality control system would reveal the problem areas and weaknesses in the system, and would point the way for HEW to make corrections.

One of the most serious problems in the welfare system today—at all levels—is the total lack of reliable statistics with respect to welfare fraud. Estimates range from a low of "less than 1%" (cited by the Department of Health, Education and Welfare) to a high of 25% (cited by various agencies dealing with fraud and abuse). Until some system is devised that makes state welfare departments and the federal government fully aware of exactly how much fraud exists and admit that it does exist, the problem will remain.

Our recommendation in this area would be to establish some system in HEW to collect such information from the states. Included should be numbers of cases filed, numbers of investigations under way, plea bargains obtained, restitutions, and cases settled in other ways. This information should be disseminated among the states and would provide a more realistic picture of the status of fraud and abuse.

For example, in one state (Pennsylvania), 172,649 cases now await action for prosecution for fraud. More than 21,000 cases are being acted upon. However, since these cases have not been decided, none are included in "fraud" statistics you will see reported. Only those cases which have been successfully prosecuted are tallied. Cases which have been settled out of court, cases which have been settled by restitution, those settled by plea bargaining, or pending cases are never included. If the true picture can be ascertained, remedies can be developed to restore integrity to the welfare system.

Inquiries directed to several fraud unit administrators and supervisors in local jurisdictions elicit the comment that management is the greatest problem in welfare administration. All areas of management in the welfare programs throughout the United States should be examined, and skilled persons should be assigned to counsel the states in the proper administration of eligibility determination.

Good work in eligibility determination in the AFDC category is the key to fraud control not only in AFDC but in Medicaid as well. But eligibility workers are often considered "low men on the totem pole." This position is a crucial one in the system, particularly at the point of intake, and should be upgraded through strong internal training programs to develop expert interview techniques.

Verification of statements made on applications and redeterminations is one of the most important tools of management. Timely redeterminations will uncover many cases of overpayments and ineligibility before they are allowed to go too far.

In my capacity as a member of the board of the National Welfare Fraud Association, I asked three individuals across the country who all have experience in dealing with welfare fraud and administration welfare programs what they believe is the key to controlling and preventing fraud and abuse. Here are their answers:

". . . the most effective deterrent and responsible management move that could be accomplished would be the mandatory verification of at least all government sources prior to the issuance of dollar one. . . . The elimination of fraudulent applications is so much easier than the complicated discontinuance procedure, if you can do it, after once they are on aid." (Dick Peterson, Data Management Associates, Inc., Colorado Springs, Colo.)

"If the worker at the front desk did a good job, fraud could be reduced dramatically. This would mean paying the position more, requiring more education, require on-job training for a period of six months before qualified to accept an application. I do not believe that welfare agencies were created to detect fraud. They were created to help people who need help. This means that we simply can't build into the eligibility system cumbersome roadblocks to make it too difficult for an applicant to get help. But what can be done is to make that intake worker subject to training far in excess of what they have now, maybe spend a month with the fraud unit actually working with an investigator." (Robert Neilson, Office of Special Investigations, Seattle, Washington.)

"The first and foremost suggestion that I have in reference to the experience of our Agency here in Marion County is for a more structured and experienced caseworker in the Intake Eligibility section. . . . There should also be some legally established liability of caseworkers, as well as administrators, in the program for failure to act or acknowledge abuses as they arise and have knowledge of same." (James Curseaden, Chief, Investigative Division, Marion County Department of Welfare, Marion, Indiana.)

Further, let me quote the Report of the Federal Advisory Committee on False Identification (November, 1976—Department of Justice):

"We have found that most state and national social welfare programs are very vulnerable to false identification fraud. Such fraud may take various forms—applying for benefits under several identities, claiming nonexistent dependents, or in the case of Social Security programs, claiming to be a dependent of a covered wage earner. No uniform standards exist for verifying the identity of claimants for benefits; in fact, some states do not require any identification."

In a recent case of welfare fraud in Denver, a woman was accused of using four different names to collect almost $50,000 in welfare money and food stamps over a four-year period. According to Orlando Romero, Director of the Denver Department of Social Services, it is difficult to know if fraud on this large a scale is happening more often than the Department is able to detect with present procedures and limited personnel."—Page 46.

"Our surveys have shown that, due to the lack of identification standards for welfare recipients, neither Federal nor state agencies have a very good idea who is receiving almost $37 billion per year in public assistance and Social Security payments. We have . . . no way to accurately estimate the scope of multiple collection of benefits by individuals using several identities. In fact, several welfare officials have admitted that there is no organized procedure for detecting such fraud."—Page 47.

"There are no penalties for the false application for or use of counterfeiting of the Social Security card or number, except in an application for Social Security benefits."—Page 59.

"In most states there is no comprehensive law against establishing a fraudulent identity."—Page 60.

With a strong quality control system, deficiencies can be pointed out through exceptions, and provide administrators with the means to strengthen their emphasis on the areas which are out of control.

In this area of false identification, we recommend implementation of a photo I.D. system, which is used by some states on a limited basis. Sophisticated systems have been developed that are purportedly foolproof, and these should be assessed as to efficacy in preventing fraud. (In a meeting recently, administrators pointed out the success in Quality Control through use of a photo I.D. system in significantly reducing their caseload. And another success was obtained in Pennsylvania, particularly in Philadelphia, when a photo I.D. system was installed. Duplicate checks in that city alone dropped from 20,000 a month to 2,000 at the present time.)

To further strengthen the quality control system, tolerance levels for error and 5% for underpayments and overpayments are acceptable. In addition, there should be accompanying sanctions for non-compliance, and HEW should be required to carry out such sanctions when there are violations of the tolerance levels. Only when such sanctions are enforced will the states place the proper emphasis on making their systems accountable.

One of the goals of the National Welfare Fraud Association at its inception was establishment of a national central registry system. Our organization is firmly convinced that such a system, with computer capability in every state, could eliminate duplications in the system across state lines. A national system, coupled with an intra-state system among counties, would turn up such duplications before they become cases since the check would be made at the time of application.

The IDEX system, developed by SRS more than two years ago, has proved successful between the District of Columbia and the State of Maryland. Several other contiguous states are considering plugging into the system, which has turned up thousands of duplications of interstate applications.

If the states were accorded funds, similar to those provided under Title XIX for Medicaid fraud (90% for development of the computer system and 75% for operations costs), a long step forward in the control of welfare fraud and abuse would be the result.

In DHEW Publication No. (SRS) 77-03256 (March 1977) entitled "Disposition of Public Assistance Cases Involving Questions of Fraud," the National Center for Social Statistics presents convincing discussion that use of computer print-outs is a helpful tool to uncovering fraud and the establishment of profiles "to assist in spotting possible fraud cases." (A copy of the discussion pages of this publication is attached.)

We strongly urge inclusion of funds for the purpose of installing and improving computer systems in the belief it will pay for itself. Moreover, it will help to restore the taxpayers' confidence in the system which is badly eroded now.

It must always be stressed that the best way to reduce fraud and abuse is to prevent the situation which invites it. A computer system which will acquire a good reputation for speed and accuracy will discourage many who would otherwise try to "beat the system." It should be capable of performing an earnings clearance on employer reports of income, and it should also be programmed to match welfare rolls with other government payrolls. (A recent case in point is the match of nearly 150,000 government workers in Illinois with the welfare rolls which turned up more than 700 persons collecting assistance illegally. Ninety-two persons were indicted, with more to come.) Further, it might even include matching unemployment records, taxes paid, and duplicate social security numbers. The latter has been successful in some areas which have tested it.

If a statutory basis could be established for setting up a system or systems with the above capabilities, the cause of fraud and abuse control would be greately advanced.

Most states find themselves financially unable to pursue fraud and abuse. While current financing of such pursuit is on a 50-50 basis (based on use of funds for good and efficient administration, the states use their funds instead for intake procedures and other paper work—not for fraud and abuse.

Our suggestion would be to increase this funding to 75%-25% matching (as in child support) or 90%-10% (as in day care). This would provide an incentive for the states to use their money to control fraud and abuse.

The parent locator service provides funds on a 75%–25% matching basis, plus a bonus system, to be used by local jurisdictions to augment the staffs and offices of district attorneys for the purpose of apprehending parents who fail to meet their responsibilities. As a result, some states have recouped many millions of dollars for their welfare systems through these efforts with the help of an incentive fund to perform their jobs better.

If states were given a greater incentive to pursue fraud in AFDC by a higher ratio of matching funds to carry out their efforts, it would serve as a deterrent to commission of fraud. Although paragraph 235.110 in 45 CFR requires that the states provide and maintain fraud units, the states are unable to maintain effective units because of financial constraints. Available operating funds are deployed to cash grants and administration, but not to any phase of fraud activity.

The recommendations of the National Welfare Fraud Association are these:

1. Place a strong AFDC Quality Control system in the new office of the Welfare Inspector General since he is now responsible for fraud and abuse in HEW. (This would require removing it from the Social Security Administration to where it was transferred earlier this year.) The system should be equipped and programmed to show total errors in dollars and should be capable of showing where the errors are occurring—both geographically and whether in administration or by applicant or recipient. It should provide management information which will improve administration from several standpoints: Efficient delivery of cash to those truly in need, effective deterrence of admission to the rolls of those who are not in need, and swift prosecution of those who defraud.

2. Include statutory requirements for tolerance levels of error and fraud. These can be 3% for error and 5% for overpayment, as before. Restoration of these levels are part of effective quality control, and should contain the accompanying sanctions with the mandate that they be carried out when violated.

3. Provide a statutory basis for establishment of earnings clearance systems which would yield but not be limited to information from employers' reports of earnings; cross-checking with employment compensation records; matching welfare rolls with other government payrolls; and a check of duplicate social security numbers.

4. Provide a statutory requirement for the Department of Health, Education and Welfare to collect data on all fraud and abuse cases from the states, including cases filed, investigations under way, and cases settled by plea bargaining, restriction, or other means.

5. Provide increased matching funds (75%–25% or 90%–10%) for efforts to control fraud and abuse.

6. Mandate the use of photo I. D.'s.

We offer the committee the expertise of our organization as a whole and of individual members in particular who may be useful to you.

Thank you for the opportunity to present our testimony.

Disposition of Public Assistance Cases Involving Questions of Fraud, Fiscal Year 1976

U.S. DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE, Social and Rehabilitation Service, Office of Information Systems, National Center for Social Statistics, March 1977

DISCUSSION

States continued in 1976 to emphasize the prevention, deterrence, detection, referral for prosecution, and recovery of overpayments in cases involving questions of fraud. Many mentioned procedural and policy changes, and often an organizational change. Some States established central fraud units charged with the responsibility for investigation, preparation and initiation of civil and criminal actions for all welfare cases involving a question of fraud. Others established an Overpayment or Recovery Unit to which all cases involving overpayments are referred for collection, with priority given to recoupment procedures rather than prosecution. Decentralization occurred in one State which eliminated the referral of cases for review to a Central Office and Office of the Counsel, with placement of total responsibility at the local level for

identification of fraud and referral to the county attorney. Many States continue to handle, from inception to end, at the county or local level, all cases involving possible fraud. A California State Appellate Court ruled that restitution or promise of restitution of illegally obtained welfare monies is not a bar to prosecution for fraud. In a southern State, a Federal District Court decision prevents the Department of Human Services from recoupment of overpayment from current assistance grants by proration of the overpayment as income to reduce or close the grant. A convertible or other available resource in excess of budgeted need, however, may be a means of recoupment of overpayments.

An increasing number of States are using Quality Control as a means to detect and reduce errors in eligibility determination as well as to monitor cases that might involve a question of fraud. One eastern seacoast State reported the use of State Auditors in checking for possible fraud. At least five States reported using a computer print-out for detection of duplicate grants; to detect unreported income which a recipient may be receiving in benefits from another agency such as unemployment insurance; and to establish a profile to assist in spotting possible fraud case. Two States have adopted the use of "squad action" tactics in locating and identifying cases with fraud. This consists of moving teams of investigators into different geographical areas in a concentrated review of cases. A midwestern State and a northwestern State reported the establishment of a statewide toll free 24 hour welfare fraud "Hotline" to receive and record tips from the general public of suspected welfare abuse and fraud. Neither State reported on the effectiveness of their "Hotline," but another midwestern State reported that fraud is generally uncovered by the caseworker and seldom as the result of a "lead" from the general public. Most public "tips" usually concern a recipient legally drawing assistance, who the "tipster" believes is not eligible.

Several States mentioned that the Title IV–D program had helped reduce the number of fraud cases involving unreported income. The Title IV–D program results in assignment of child support rights so that child support payments are made directly to the State rather than to the recipient. This eliminates those cases of fraud where an absent parent makes child support payments directly to an AFDC recipient who in turn does not report such income to the welfare agency.

In welfare fraud cases, courts tend to give welfare recipients benefit of doubt when recipients use the excuse that they were not made aware that they were supposed to report income, or that they did not understand the requirements, or were not made aware of full disclosure of resources. To offset this, some States have revised application and redetermination forms to include a declaratory statement giving the definition of and the penalty for fraud, which are to be signed by the applicant recipient. One State has also initiated a monthly mandatory recipient's report of changes in circumstances form that is mailed to the recipient along with the assistance check. Other States have also implemented procedures for better screenings of applicants at intake level and of advising them of the penalties for false statements on application as well as for failure to report any changes that would affect their eligibility.

Most of the States continue strong emphasis on training of eligibility technicians, caseworkers, and investigatory staff in an ongoing effort to reduce agency errors and to detect fraud. This consists of training sessions to improve the eligibility determination process; staff meetings to clarify policy questions; and workshops on the detection and prevention of fraud. A few States have sent some of their welfare personnel to attend conferences of the National Welfare Fraud Association. One southwestern State, in order to better train its caseworkers in the identification of fraud, assigns caseworkers to their Investigation Division on a rotating basis.

Only one or two States reported the hiring of additional investigatory staff.

Senator MOYNIHAN. Now, Mr. Matthew Ahmann. Good morning, Mr. Ahmann.

Again, it is my responsibility to apologize that we had to cut our hearings short yesterday. As a consequence, the testimony that was to have been given by Father Fagan will be given by you, if I understand that.

Mr. AHMANN. Father Fagan indicated he was sorry that he could not stay over, but he will be calling on you.

Senator MOYNIHAN. We welcome you no less, presenting the National Conference of Catholic Charities.

STATEMENT OF MATHEW H. AHMANN, ASSOCIATE DIRECTOR FOR GOVERNMENTAL RELATIONS, NATIONAL CONFERENCE OF CATHOLIC CHARITIES

Mr. AHMANN. I want to focus largely on the foster care and subsidy provisions of H.R. 7200 and the administration proposals. First, I would like to indicate that we join with the National Center for Social Welfare Policy and Law in opposition to the 50-percent vendor assignment provision of H.R. 7200 which we think really is very unfair, for many of the reasons which were given in the earlier testimony.

We also oppose the request of the administration to, at this time, standardize the work-related income disregard in the AFDC program, which would deprive present recipients of approximately $50 million; we hope that such standardization will be considered in the context of overall welfare reform later this year and on into next year. We are in general support of the SSI amendments in the House bill, and in particular note the extension of SSI to Puerto Rico, Guam, and the Virgin Islands. This should lift part of the fiscal burden off New York State.

We do feel that the foster care provisions of H.R. 7200 and the testimony of Mr. Califano last week, combined and perhaps a bit improved by this committee, will result in substantial improvements in our present situation. But we want to point, in the foster care provisions in the administration's testimony, to one item we think is a very serious mistake. I am moving quickly to the bottom of page 9 of my testimony.

The administration would continue Federal reimbursement of foster care at the medicaid rate, but have a 20-percent differential or lower rate of reimbursement for institutional care. The proposal is a part of the deinstitutionalization movement sweeping the field of social work the past few years. You observed it has been running through this hearing.

Senator MOYNIHAN. Deinstitutionalization. I like that.

Mr. AHMANN. We agree in the past there has been unnecessary institutionalization, but the 20-percent penalty is a simple-minded way to get at the problem. In itself, it would raise other very serious problems.

The assumption behind it seems to be that institutional care for children is inappropriate. Well, it is appropriate care, not in all instances.

If the administration's proposed tracking and case management systems are in place, they alone should eliminate a good deal of the unnecessary institutional care, or otherwise why have them?

It would be sad indeed if Congress built in a disincentive for appropriate and necessary institutional care. I will give you two examples.

Father Fagan, who was to have testified for us, has a brother who is a priest who runs an institution in Brooklyn, serving children in Brooklyn and Long Island, 125 children in the institution. In addition, that facility has 800 children in group homes or family foster care. This institution would suffer from this penalty.

They are all appropriately placed. They do not belong in group homes. They cannot get along at this point in foster homes.

His institution, with 125 children, is broken in 10 units; the larger context of the institution provides a community for the youngsters as a whole, but the internal units provide some of the sensitivity you need and you might get in smaller group homes if they were to be found in the community.

A second example comes from Senator Long's State. Catholic Charities in New Orleans has 516 children in institutional care, the vast majority of whom are appropriately institutionalized, having IQ's of below 25, or severe emotional problems, demonstrated by attempted suicides, setting fires to buildings, and so forth. These children need treatment, not only custodial service.

If the administration's proposal were to be adopted, the New Orleans Catholic Charities tells us they would have no other choice but to sharply curtail their operation by closing some programs or cutting back on the number of children cared for.

The State of Louisiana has not had institutions. It has been shipping children to other States, although it is now under court order to care for them in the State. There is a waiting list of over 3,000 children in that State, children who need institutional care of one sort or another.

My time is exhausted, I gather from the bells. I will simply say it is difficult to comment on the administration adoption subsidy proposal although we are in agreement that the proposals in Mr. Califano's testimony are an improvement in H.R. 7200.

It is hard to comment, because we do not have their bill.

We would urge that the committee take a sharp look at the language in Senator Cranston's bill, S. 961; that was developed over a 4-year period. That language, if followed, in my judgment and the judgment of each of the agencies in the field on a national level, would be the kind of legislation we would like to see adopted.

Sentaor MOYNIHAN. There is an outbreak of self-restraint in these hearings to which the Chair is not accustomed.

Let me ask Senator Danforth if he has any questions.

Senator DANFORTH. My understanding is that there should be a breadth of alternatives for dealing with children with different needs, whether the problem the child has is emotional or developmental, or the child has been neglected or the child is neglected, whatever the problem is. There should be a breadth of options that are open.

One option which would be necessary for some children would be institutionalization with a very high degree of supervision and control.

Mr. AHMANN. The costs are much higher, as you know.

Senator DANFORTH. For example, a child who has an IQ of 40, a profoundly retarded child, would require institutionalization.

Then there is a second rung. Those are kids who need some degree of supervision. They really are not capable of living in the community self. Yet, they do not require the kind of intensive supervision, control, and care that, say, the profoundly retarded and really delinquent child requires.

Those kids could be placed in group homes out in the community but probably not in private residences.

Then there is a third group. In that group are kids who could survive and prosper in the homes of individuals, and the trend should be the desirable way of handling these young people to try to move them as far along as possible out of the institutions, into society—as far as possible, but recognizing that it cannot be done for everybody.

Is that the thrust of what you are saying?

Mr. AHMANN. That is right. The penalty is across the board with no effort to distinguish as to what is appropriate and inappropriate.

Senator DANFORTH. This is the problem that you find with this bill, is that right?

Mr. AHMANN. The administration's proposal was a 20-percent differential for institutional care. They may modify that by size. The size is not an indication of what is a good or a bad institution.

Senator DANFORTH. Your criticism of the administration's bill is that it is anti-institutional per se, without giving sufficient recognition to the different needs of different people.

Mr. AHMANN. That was the indication in the testimony; yes?

Senator DANFORTH. That is the thrust of your testimony?

Mr. AHMANN. On that one point; yes.

Senator DANFORTH. Let me ask you this. Assuming that there are these differentiations, gradations, where should the decision be made as to what kid goes where?

Mr. AHMANN. It has to be made in the context of the evaluation of the particular child and that case history.

Senator DANFORTH. Where should that be done? Should Senator Moynihan and I do it?

Mr. AHMANN. That has to be done in the local agency. The State has appropriate means for tracking those, determining whether or not they can be reimbursed. There should not be an across-the-board cut in the reimbursement rate for the institution per se, if the children are appropriately placed.

Senator DANFORTH. Is there any indication that there will someday be no need for institutions?

Mr. AHMANN. There will always be a need for some kind of intensive institutional care. It would be nice to have another situation, but I do not foresee it.

Senator DANFORTH. There is a growing trend toward litigation, is there not? In fact, I believe the Justice Department has been pushing litigation in the case of people who have been institutionalized in State institutions who could be living out in the community, but have been inappropriately kept in the institution?

Mr. AHMANN. One of the difficulties in State institutions—that goes to Mr. Rangel's amendment that States be allowed to have

foster homes of up to 25 children. The States have not been good at enforcing their own standards except in private institutions.

In the case of Father John Fagan's institution in Brooklyn, which I mentioned, he has 125 children, appropriately institutionalized, with smaller units within that framework. He has 80 children out in group homes or foster family situations.

Senator DANFORTH. Let us assume that there is an incompetent State administration of say, care for the retarded. They just do not do anything; they are a bunch of dunderheads.

Is there any protection now? Let me say, I think there is some protection that exists now in law which would limit the possibility of that State institution incarcerating someone for life who should not, in fact, be incarcerated for life. In fact, there has been kind of an explosion of litigation brought on behalf of people who are institutionalized to get out of the institutions and into the society.

Is that so?

Mr. AHMANN. In the case of Louisiana, I mentioned Catholic Charities in New Orleans. They were a party to a suit. The State of Louisiana was providing no institutional care but were warehousing kids in institutions in Texas. They were a party to the suit to get the State of Louisiana to take appropriate care of children, in institutions or otherwise, in the State.

Senator DANFORTH. Whether we like the explosion of litigation or not, it is there. It is in the court's balliwick, not Congress. The chances of somebody being warehoused in an institution inappropriately is much less now than before the judge down in Alabama decided.

Mr. AHMANN. There is still inappropriate institutionalization. I do not mean to imply that there is not. If the tracking system the States are moving toward that the administration has favored in its testimony and would provide money for out of title IV–B moneys were in place, that inappropriate institutionalization, the States would stop reimbursing where inappropriate.

Senator DANFORTH. Your view is that the worst way to handle it is just to limit the funds or threaten the funding for the institution?

Mr. AHMANN. Yes. If it is appropriate care, it is the highest cost care. There are agencies around the country that have good institutions, whatever the size. They are all losing money in those institutions. They get nowhere near the appropriate reimbursement from the State or Federal Government.

Senator DANFORTH. Even in the State and local institutions there is gradation in treatment?

Mr. AHMANN. Yes.

Senator DANFORTH. On the campus of a State school, there are certain facilities which are very intensive care, and there are other facilities when there is a collegelike atmosphere.

Mr. AHMANN. I cannot speak to our private institutions that have purchase agreements, and that is the case.

Senator DANFORTH. It would be a cheaper, more economical way of managing these institutions to treat everybody alike. It is somewhat more expensive as far as the institution is concerned to provide

the variety of facilities which are capable of dealing with different types of needs.

Mr. AHMANN. You might reimburse by level of care, appropriate level of care. More intensive care may call for a higher level of reimbursement than what is suggested here. The administration proposes to decrease the reimbursement.

Senator DANFORTH. There are certain capital expenditures inherent in dealing with different people in different ways. For example, if you had a State school for the retarded and you decided that you wanted to have some kids in a cottagelike atmosphere, you would have to build the cottages.

Mr. AHMANN. Yes.

Even in an institution such as the one I mentioned in Brooklyn, which moved from kind of an open institution of 125 to the 10 units, had to undergo capital costs to make better care possible.

Senator DANFORTH. Thank you.

Senator MOYNIHAN. I wonder if I could raise a more general question, which I think Senator Danforth will be interested in.

We seem to be moving with ease in such opposite directions. Deinstitutionalization, a word which could only be produced by third-rate minds, is a movement away from the notion of central authority, central control, and so forth, back into an individual family relationship.

Simultaneously, the Federal Government is being asked to make more arrangements. Let me tell you something, Mr. Ahmann. As a coreligionist—I would not tell everybody but when the Secretary of HEW came before this committee and proposed that the Federal Government begin subsidizing the adoption of children, he said this was good, this is a great problem that needs to be attended to. Apparently no one at HEW had told him that 43 States already do it. He did not seem to know. The administration which made the proposal did not seem to know. Somebody kept it a secret at HEW. HEW did not know.

Does anybody know much about what what we are doing? The Secretary of HEW spoke as if he thought what he was proposing had never been done before. It is a bankruptcy of ideas; the only thing you can do is what you are already doing and say you have not done it, therefore, you have somethnig new.

At this time the social work profession is developing this notion of getting away from central authority, from the Federal Government, in such an ignorant way, does not know the facts. How do you feel, representing Catholic Charities, which is a religious group, about the National Government moving in on these relationships?

Mr. AHMANN. First of all, perhaps the reason HEW's testimony did not mention existing State laws is that they rushed into this so rapidly. They opposed this same legislation before Senator Cranston's subcommittee a couple of months ago.

Senator MOYNIHAN. The administration does not know the existing lawsin the States. The spokesman for the administration did not know it.

Mr. AHMANN. Second——

Senator MOYNIHAN. You just do not want to get into a fight with HEW.

Mr. AHMANN. We have been in a fight with them for some time. I was appreciative of your comment the other day that social services and social policy have to be attuned to the neighborhood and even the bloc. And you asked that question of a religious agency. We do believe there needs to be Federal leadership in enabling the placement of children with special needs. There are not sufficient resources at this time in the States. We need better State laws.

We think the language in Senator Cranston's bill is a substantial improvement over the language in the House bill. We have not seen the administration's language. We agree with the general testimony of Mr. Califano on that point. We think it is an appropriate exercise of Government resources to enable them to help the public and private sector to enable children with special needs to find loving families.

The language in Senator Cranston's bill was carefully devised to take into account the kind of sensitivities that you allude to when you ask that question of a religious agency.

Senator MOYNIHAN. Mr. Ahmann, we thank you very much. Let us know in more detail perhaps about the 20-percent differential and how much you would like to see it put into the bill, and do it quickly.

[The following was subsequently supplied for the record:]

NATIONAL CONFERENCE OF CATHOLIC CHARITIES,
OFFICE OF THE EXECUTIVE DIRECTOR,
Washington, D.C., July 25, 1977.

Hon. DANIEL P. MOYNIHAN,
Chairman, Subcommittee on Public Assistance of the Senate Finance Committee, U.S. Senate, Washington, D.C.

DEAR SENATOR MOYNIHAN: Last week we testified before your Subcommittee on Public Assistance relative to H.R. 7200 and the Administration's proposals on foster care and adoption subsidies presented earlier by Secretary Califano. In his testimony Secretary Califano indicated the Administration was proposing a lower Federal matching rate for foster care in large institutions, to discourage such placements. In a briefing HEW staff informed us that the differential would be 20%.

In our testimony we opposed this Administration initiative, illustrating the problems it would pose for high quality institutions in which children are appropriately placed because of the kind of care they need.

You invited us to submit an additional letter on this point. And you will recall that Senator Danforth asked a series of penetrating questions about appropriate levels of care.

The Administration proposal is designed to get at the problem of unnecessary warehousing of children, and those instances where a child is inappropriately placed in an institutional setting. But it does not recognize the fact that institutional care may be appropriate for certain children, and the fact that there are many high quality institutions in which the majority of children are appropriately placed. We cited several such instances in our testimony in New York and Louisiana.

We firmly believe that the problem the Administration wants to get at cannot be addressed legislatively in this manner. Too many necessary institutions would be penalized. If the tracking systems the Administration proposes to strengthen by its phase I Title IV B money are in place, the problem should be substantially ameliorated. Much progress has already been made by litigation.

But if, for some reason, your Subcommittee does legislate on the matter, we would ask that there be certain exceptions to the penalty, recognizing that there are different kinds of institutions, and that some are necessary.

Emergency care for periods not to exceed 30 days should be exempt from the penalty.

Institutions or "group homes" with 25 or fewer children whose needs cannot be met in family homes or community based residences should be exempt from the penalty.

Larger institutions which have smaller internal units for appropriate levels of care should be exempt.

There should be no penalty for the appropriate placement in an institution of children whose needs cannot be met in other settings.

While we feel the penalty is inappropriate, if there is to be a penalty it would only be applied in the case of institutions with 25 or more children which provide solely for the care of dependent, neglected or destitute children who are not severely physically handicapped, mentally retarded or mentally and emotionally disturbed.

High quality institutions, or residential facilities, which have as their principal purpose the provision of therapeutic, developmental or rehabilitative services in a planned, consistent and coordinated manner be reimbursed at the full rate. Twenty-four hour day care is provided in these facilities only because it is necessary for the delivery of the treatment services in a consistent manner to the particular group of children.

To avoid the invalid and inappropriate reliance on non-residential services when timely residential treatment is needed, we strongly urge that the reimbursement penalty be dropped and that a beginning be made at recognizing the different functions of large custodial institutions and residential facilities focussed on treatment and developmental services. Even assuming the differences can be recognized in legislation, we would urge the penalty be dropped until such time as there are appropriate feasible alternative service systems in place before changes are made in the present service system.

Senator Moynihan, you also asked what we, as a religious agency, felt about government "intrusion" into such a sensitive area as adoptions. Our agencies firmly believe that it is appropriate and would be very helpful if the government had an adoption subsidy program available to assist in the adoptive placement of children with special needs. The language in Senator Cranston's S. 961 is excellent and would pose no problem in the religious field at all. We urge your Subcommittee to adopt Senator Cranston's language. We were involved for four years in the development of that legislation.

Sincerely,

MATTHEW H. AHMANN,
Associate Director for Governmental Relations.

[The prepared statement of the National Conference of Catholic Charities follows:]

PREPARED STATEMENT OF NATIONAL CONFERENCE OF CATHOLIC CHARITIES, PRESENTED BY: REV. ROBERT EMMET FAGAN, DIRECTOR, CATHOLIC CHARITIES OF ROCKVILLE CENTRE, N.Y.

I am Father Robert Emmet Fagan, Director of Catholic Charities of Rockville Centre, New York, and I am testifying for the National Conference of Catholic Charities. We are glad to be before the Subcommittee on Public Assistance, with its distinguished Chairman, my own Senator Moynihan, and before the Senate Finance Committee chaired by Senator Long of Louisiana. This is the first time since 1973 we have appeared before the Finance Committee. Then, Senator Long and the other members of this Committee played the stalwart role of defending those in our society in need of essential social services, against the atrocious regulations proposed by the leadership of the Department of Health, Education and Welfare.

While the result of the process begun by this Committee in 1973, and the leadership exerted by Senator Long and Vice President Mondale—Title XX—cannot in our judgment be yet called a social services strategy designed to protect the family, and those at risk, it is an advance from those dark and gloomy days when some were trying to thwart the provision of assistance to the vulnerable in our society. So we thank the Committee on Finance and its Chairman. And we thank Senator Moynihan for his leadership in convening these hearings, and for his general endorsement of the Administration's proposals offered last week.

The National Conference of Catholic Charities coordinates the Catholic Charities Movement and serves some 1,500 agencies and their branches and institutions in their effort to provide human service. Our agencies are involved in providing services to the elderly and thereby are directly interested in seeing that the income maintenance needs of the elderly as the blind and disabled are adequately met. So that SSI amendments in H.R. 7200 are of interest to us. All of our agencies provide services to families and children, so the other provisions of H.R. 7200 are of interest to us and those we serve. Of our 147 member diocesan agencies, 91% have well-developed adoption services, and 84% of them also have foster care programs. Various provisions of H.R. 7200, as well as the Administration's proposals on foster care and adoption subsidies for hard to place children, are of direct interest to those we serve.

With one exception—the vendor payment provisions under Title IV A of the Social Security Act—the provisions of H.R. 7200 are an advance toward a more adequate system of income maintenance, and a more adequate strategy of social services for those at risk in our society.

To that, the proposals spelled out last week by Secretary Califano begin to enunciate the fundamental premise for a comprehensive social service strategy—the protection and strengthening of the nation's families—its human capital—and those at risk. In our view the Administration's provisions are a substantial improvement on the beginning made by the House in H.R. 7200, though, as we will spell out below, additional improvements are necessary. While the Administration's philosophy is sound, and has been long in the making, some of the provisions in Secretary Califano's legislative message were obviously hastily designed, and admit of polishing by this Subcommittee.

One other introductory note needs to be made. Service organizations, such as ours, are at a disadvantage when faced with imminent mark-up by the Subcommittee and the full Committee, because the Administration has not yet submitted legislative language reflecting its proposals. I would like to ask that our staff be permitted to have access to drafts of legislative language at the earliest possible moment in the mark-up process.

TITLE IV A—FISCAL RELIEF

The National Conference of Catholic Charities is in general sympathy with the intent of Senator Moynihan's S. 1782 to provide relief for those parts of our nation which have been doing an outstanding job of meeting the needs of our citizens. While we note that most states are moving into positions of budget surplus, it is clear that there needs to be fiscal relief especially for units of local government involved in providing income assistance, social services and health care. In this respect were, to date, disappointed with the Administration's proposals for welfare reform, which seem not to provide this needed relief. So we stand with Senator Moynihan on this point. Relief in New York and other populous states will help, not harm, the rest of the country. Then, too, such relief, we remember, was a campaign pledge of President Carter.

TITLE XVI—SUPPLEMENTARY SECURITY INCOME

We support the provision of H.R. 7200 which would extend the Supplementary Security Income Program to Puerto Rico, Guam and the Virgin Islands. We have always felt that all the citizens of our nation should receive the same treatment under the various benefit programs. The peculiar circumstances of poverty in the Commonwealth and in the other dependencies provide additional urgency to resolve the inequity in Title XVI which has excluded them until now. In addition, the extension of these minimum income protections to the elderly, the blind and the disabled should operate to reduce the welfare costs expended by New York and other states in the Northeast. We note that the Administration has urged postponement of these protections until the adoption of its welfare reform package. But the nature of that package is still very much up in the air, and in any event the Administration has stated that its provisions would not be fully implemented until Fiscal Year 1980 or later, and even then, apparently, with no new money. Certainly the Congress would have the good sense to fold Puerto Rico, Guam and the Virgin Islands SSI into an over all income maintenance program, much as the Administration already proposes to do with the existing SSI program. There is no reason we can think of to hold

these citizens in abject poverty until then. We urge the Finance Committee to go ahead on a matter of such fundamental justice, which would also, incidentally, provide some relief to New York and other states in the Northeast.

H.R. 7200 contains other amendments to the SSI program adopted by the House. While not commenting on each of these amendments, we do support the strengthened outreach program, the modification for third-party payees in the case of persons in treatment, the increased payments for those presumptively eligible for SSI, the clarification of eligibility for those in medical institutions, the change from a quarterly to monthly determination of benefits. We are also glad to see the effort to exclude assistance given by charitable or religious organizations from the definition of income. Such assistance is modest, and nearly always given in very special circumstances, such as a disaster or catastrophe, to meet needs for which SSI is not designed or is inadequate. We urge this Subcommittee to adopt these and related improvements in the SSI program. Some of these provisions have been endorsed by the Administration. Those which the Administration has not endorsed seem not to have been endorsed because they represent modest increases in cost. We hope the Finance Committee will take the wiser course, as it did relative to the Labor-HEW Appropriation bill, and provide this modest increment to meet the pressing human needs of our elderly, blind and disabled.

TITLE IV—CHILD WELFARE SERVICES & INCOME MAINTENANCE

Section 1108 of the Social Security Act places a firm dollar ceiling on Federal reimbursement to Puerto Rico, Guam and the Virgin Islands for purposes of providing financial assistance to families and to the aged, blind and disabled. We have recommended that the SSI program be extended for purposes of the aid to families in dire financial need—AFDC.

We would also like to indicate our opposition to the Administration's desire to standardize the work related income disregard in the AFDC program. We think the House wisely rejected the Administration proposal. We oppose such standardizing now, as we have in the past, and urge any such simplification be considered only in relation to overall welfare reform. Any arbitrary change at the present time would cost AFDC recipients, already living on marginal incomes, some $50 million.

On the income side, there is one provision in H.R. 7200 to which we strongly object. The proposal which would permit AFDC recipients to assign up to 50% of their meager monthly income to utility companies and landlords is both violative of human rights, and punitive in that it would tend to force very poor families to assign a disproportionate percentage of that income for housing and utilities. No middle class family in this country can afford to spend 50% of its income for housing and utilities. But that's precisely what this provision of H.R. 7200 would do. The present inadequate AFDC budget is made up of dollar amounts for food, housing and other needs. The result of this proposal would be to force families to use food money, already insufficient, for housing costs. The benefits would go to landlords and utilities. A poor family on AFDC looking for an apartment to rent cannot resist the coercion of landlords who would undoubtedly not rent to them unless they "voluntarily" signed an agreement to split their check 50-50 with the prospective landlord. There surely is a grave housing problem in some of our cities but the way to meet our housing problems, or high energy costs, is hardly through depriving some of our poorest citizens of enough money for food and other subsistence needs. This provision of H.R. 7200 is perverse and should be turned down out of hand. It is a landlord and utility subsidy provision. It is unjust and would deprive poor citizens of rights enjoyed by the more affluent. The fact that the amendment comes from New York must not camoflauge what will actually happen under the amendment. This provision is anti-family, anti-child and a violation of the rights enjoyed by most of the citizens of our country.

In respect to foster care and child welfare services, both H.R. 7200 and the Administration's proposals contain provisions which, combined, and improved in some respects, would significantly strengthen family life and protect the welfare of our nation's children. Since, overall, we believe Mr. Califano's proposals last week represent a major strengthening of the concepts of H.R. 7200, we will comment in that context.

TITLE IV B

The Administration accepted the concept of the House bill to make Title IV B an entitlement program, albeit in two phases and with two different levels of matching money from the states.

The National Conference of Catholic Charities supports this long-awaited move to convert this child welfare services program to an entitlement program at the full level of its present authorization—$266 million—as compared to approximately $56 million appropriated now. There is an urgent need to reunite those children who are necessarily removed as quickly as possible, to offer essential social services to enable our children to become creative fully-functioning adults. However we are deeply concerned that the Administration's proposal would eat into the service money by its first phase provision of $63 million (with no match) to enable the states to put in place tracking systems, case review systems, systems to promote adoption, etc. These monies should be used for the delivery of direct services rather than for the establishment of computerized tracking systems in each state. The states already have recorded information about each child in placement sufficient to enable them to formulate a state service plan. If there is a demonstrated need for additional systems money, and we have not seen the data (it was surely not in the Administration's testimony), it should be added on top of the $266 million, and not eat into the services. If, however, this Subcommittee does follow the Administration's suggestion for the phase one funding, we hope the phase two funding for services—$147 million—will flow after the states have demonstrated the systems are in place. Our New York agencies, for example, tell us that New York state is within a matter of months of being able to make this demonstration. We hope these states will not have to wait a full year.

We do support the Administration position that 40% of the new service money ought to be earmarked for the prevention of family break-up and the reunification of families.

SECTION 408: FOSTER CARE AND ADOPTION SUBSIDIES

We support the Administration proposal to combine the present AFDC Foster Care (Section 408) and subsidies to assist in the adoption of hard to place children in a new title. We find reasonable the proposal that this title remain open-ended until Fiscal Year 1980 with 10% increments in the cap then imposed over each of the following five fiscal years. This should allow for adequate but measured program growth, particularly with the new adoption subsidy program. We strongly urge, however, that following this the program be indexed, so that program funds do not decrease in actual dollar terms because of inflation. We note the Administration's agreement last week to index the minimum wage, and see no reason why needed funds for children at risk should not also be indexed. Secondly, we trust that this Committee will look again at this cap in future years, if the Administration and Congressional policy on not funding abortions, which we support, has an observable demographic effect.

We would like to comment more fully on both the foster care provisions of the Administration proposal and H.R. 7200, and the adoption subsidy provisions. Our agencies have considerable experience in both areas. As I noted at the outset 84% of our diocesan agencies have foster care programs, and 91% have well-developed adoption services.

The emphasis on foster care in H.R. 7200 is both on reducing the unnecessary use of such care by requiring that preventive services be offered prior to placement (except in emergencies) and on providing adequate care management review and due process procedures. The detail in H.R. 7200 comes from Congressman Miller's H.R. 5893. The Administration would keep the essential elements of these proposals but would reduce the detail in legislative language, leaving more discretion to the states to devise the systems. It is important that the essential elements be retained. The requirement for preventive services and family reunification services, and due process procedures is long overdue. These reforms of the foster care system will enable states to provide quality services to foster children and their families and prevent unnecessary placements and the consequent large expenditures they incur. They represent a positive step towards the maintenance and preservation of family life in our country.

H.R. 7200 and the Administration also would permit the use of matching funds for foster care provided in cases of voluntary placement. This proposal to remove the present mandatory judicial determination as a requirement for foster care funding is long overdue. It will eliminate unnecessary judicial proceedings and help free social workers from unduly numerous court appearances. The preventive service requirements in the legislation would be a more adequate safeguard than the judicial proceedings. Incidentally, we are told that the removal of the judicial determination requirement will save New York City alone $700,000 annually.

In respect to this improved foster care program, the Administration is making one proposal we think is a serious mistake. The proposal is to continue Federal reimbursement for foster care at the Medicaid rate, but have a 20% differential or lower rate of reimbursement for institutional care. The proposal is part of the deinstitutionalization movement sweeping the field of social work the past few years. We agree that there has indeed been much unnecessary institutionalization. But the 20% penalty is a simple-minded way to get at the problem, and in itself would raise other very serious problems. The assumption behind it seems to be that institutional care for children is inappropriate. Well, it is appropriate care, but not in all instances. If the Administration's proposed tracking and case management systems are in place they alone should eliminate unnecessary institutional care, or otherwise why have them. It would be sad indeed if Congress built in a disincentive for appropriate institutional care.

Let me give you an example of the problem posed by the Administration's proposal. Catholic Charities in New Orleans has about 516 children in institutional care, the vast majority of whom are appropriately institutionalized, having I.Q's. of below 25, or severe emotional problems demonstrated by attempted suicide, setting fire to buildings, etc. These children need treatment, not just custodial services. If the Administration's proposal were to be adopted, New Orleans Catholic Charities tells us, they would have no choice but to sharply curtail their operations by closing some programs, or cutting back on the number of children cared for. If the Administration's proposal to increase Title IV B is adopted, and funds are expended to provide training to create "professional" foster parents, then our agency could cut down its case load about 25%. Still, they have a large waiting list. And the State of Louisiana which has no institutions (indeed it has been shipping children to Texas, and is now under court order to care for them in the state), and is only just beginning to purchase foster care, has about 3000 children on a waiting list for state care. For example, New Orleans Catholic Charities cites a non-ambulatory, profoundly retarded youngster, with an I.Q. of under 25 who has been in emergency status for three years on the state waiting list. We urge the Committee to reject the 20% differential.

One final comment on the foster care provisions. H.R. 7200 proposes to reimburse for foster care in state homes of up to 25 children. While we do not oppose this provision, we are seriously concerned about the standards of care which might be maintained. At present private foster care must meet state standards, and the states do monitor. But a goodly number of states are notorious for not monitoring care in a variety of their institutions. Who will monitor quality and standards in these new foster care institutions under state management? If this provision is adopted, we urge it be on a temporary basis with a stipulation that HEW do a study of the conditions in these institutions before the authorization is continued.

Relative to the proposal to provide adoption subsidies for hard to place children, the Administration proposals are a substantial improvement over the provisions of H.R. 7200. The Administration draws heavily from Senator Cranston's S. 961 as reported by the Senate Committee on Human Resources. We have worked on that legislation for four years, and heartily commend its language and its report to the members of this Subcommittee.

I do not want to repeat the lengthy testimony we gave in several instances on the imperative need for Federal leadership in providing subsidies to make possible the adoption into a permanent, loving home of many of the countless children now caught in one foster home after another. We would rather offer for the record our testimony before Senator Cranston's Subcommittee on Child and Human Development, given on April 4 of this year. There is sufficient documentation in Senate Committee hearings that such a program is needed.

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We do however have several points to make about the Administration's proposals.

The Administration has proposed a means or income test for a family to determine the need for an adoption subsidy. We believe that the question of a subsidy, if one is needed, ought to be approached on a case by case basis in the agency setting. We know of no instances of abuse of adoption subsidies, in the 40 states which have beginning programs, which would suggest that an income ceiling is needed. But if an income ceiling is set by this legislation, our experence in the field indicates it should be the Bureau of Labor Statistics middle standard, adjusted by family size. For an urban family of four, that figure, based on Fall,1976 date, is $16,236. We have examined general guidelines used by agencies in the New York region at present and those income guidelines plus the subsidy come to just about the BLS figure. Secondly, if an income test is made a part of the legislation, we hope some flexibility will be provided to deal on a case by case basis. The task here is to provide permanent, loving homes for children with special needs, and to do so with as few obstacles as possible.

We are happy to see that the Administration is advocating that a child with special needs will carry his medicaid eligibility with him into his adoptive family. But we urge this Subcommittee not to accept the Administration's proposal to limit that eligibility to pre-existing conditions. Many children with special needs have very unpredictable medical histories; a condition may not develop until after adoption, and the burden on the adoptive family would be excessive without full medicaid coverage for that child.

Thirdly, we urge that this Subcommittee retain the language in Section 103 (f) of the Cranston bill which provides that the adoption subsidy cannot be taken into account in determining a family's eligibility for other public assistance for which it might otherwise at some time be eligible.

Finally, there is one provision in Senator Cranston's bill which the Administration did not mention in its testimony, but which newspaper accounts indicate it supports. We hope the newspaper reports are accurate and that that assistance will be provided, where necessary, to women contemplating placing their children for adoption who need pre-natal, natal and post partum care. We do not think the legislation presently before this Committee can be the answer to women who do not choose an abortion. But we do believe that this provision in the Cranston bill helps make a genuine free choice possible. Secondly, since we assume funds under this bill can be used to remove impediments to normal adoption, we feel it ought to be recognized that unless pre-natal, natal and post partum costs can be met, many women will turn to the so-called black market to effectuate the adoption of their child. This underground market does pay these costs. In providing for the application of some funds in this way, we urge that the Subcommittee use the language of the Cranston bill to insure that there is no coercion placed on a prospective mother to give her child up for adoption.

TITLE XX—SOCIAL SERVICES

Expenditures for social services were frozen when general revenue sharing was first enacted by Congress. Now many states have reached their expenditure ceiling under Title XX and it is urgent to provide additional funds not merely to enable the provision of the same level of services in constant dollars, but to provide some measured growth in the provision of needed services. The House has already voted to extend the $200 million above the ceiling provided last year. We urge that this be made permanent and that in the next several years a level of spending be considered in relation to the development of a more adequate Federal strategy for the social services.

We urge that consideration be given to the establishment of an entitlement, outside the Title XX ceiling, for Puerto Rico, Guam and the Virgin Islands on the same basis as the entitlement established for the states. Our own calculations, using 1973 population data, indicates that the entitlement (based on a ceiling of $2.5 million) should be nearly $36 million for Puerto Rico, and about $1.3 million each for Guam and the Virgin Islands.

CONCLUSION

I would like to close, of course, by thanking Senator Moynihan for the opportunity to appear. We look forward to your leadership as well as Senator Long's on these important problems before the Committee on Finance.

But in addition I would like to plead to you and to the Administration for a more complete re-examination of the social services, and the development of a comprehensive strategy to protect our most vulnerable. Many decisions can most wisely be made locally, close to those who are in need. But we do need a Federal strategy. The ability to tax and the responsibility for expenditures must be exercised together. Title XX is key among the Federal measures which need re-examination.

Secondly, we recall Senator Moynihan's question and stricture to Secretary Califano last week. "What do you know now which you did not know last year; what have you learned. . . ." He asked the Department for data not hunches. While we believe our testimony is based on data and case histories as well as hunches (based on our experience from 1739), we do plead that a funds are made available to the department and to the states to improve data systems, they are also explicitly and directly made available to the major national non-profit groups in the field of social welfare to improve their data systems. An organization such as ours, with multi-million dollar expenditures on the local service-delivery level, but with an extremely modest national budget, needs the resources to provide the data, from our own patterns of service, and our own agencies, to enable us to be the effective contrapuntal to HEW that we should be and must be if our nation is to maintain its free and pluralistic nature. Senator Moynihan said last week that these services must be sensitive to the local community, the county, the city, the neighborhood and even the block. That was a marvelous way of saying how fine-tuned the protection of our vulnerable and needy must be. While there must be a Federal strategy, and state stratefy, the non-profit, mediating sector is essential for creativity and for freedom, if the needs of our citizens are to be met. Part of the obligation of the government, and this Subcommittee, in moving toward a better strategy, is to insure that the pluralism will continue, and indeed be strengthened even to use tax money the government has collected from private citizens to insure that important end.

Senator MOYNIHAN. Mr. Robert Carleson. Is Mr. Robert Carleson on hand?

Mr. Carleson, you are the president of Robert B. Carleson & Associates, and perhaps you will tell us a little bit about the organization, and then we will hear what you would like to tell us.

STATEMENT OF ROBERT B. CARLESON, PRESIDENT, ROBERT B. CARLESON AND ASSOCIATES

Mr. CARLESON. Mr. Chairman and members of the committee, I might add it is my pleasure to be here with you today. It has been my privilege in the past, as a matter of fact, to present testimony to the Finance Committee, most recently in my capacity as U.S. Commissioner of Welfare, and, on February 1, 1972, accompanying Governor Ronald Reagan during my tenure as director of the California State Department of Social Welfare. Since Governor Reagan's appearance in 1972, most of his recommendations have been enacted into law largely through the efforts of Chairman Long and Senators Talmadge and Curtis of the Finance Committee.

Senator MOYNIHAN. You were director in California at one time, were you not?

Mr. CARLESON. From 1971 to 1973.

Senator MOYNIHAN. Those recommendations were not those during your tenure?

Mr. CARLESON. They were not. They were outgrowths of our welfare reform in California during that period of time. As a matter of fact, it was my pleasure to bring some of these ideas back here and export them to some of the other States, but today, my remarks are

in a private capacity as someone who has spent his career at the local, State, and Federal level, and most recently as a consultant in welfare matters to Federal, State, and local officials, particularly Governors and States and counties.

I want to note that the Members of the Senate are elected by the same people and represent the same people who elect Governors and State legislators. Many Senators have served as Governors, State legislators, or elected local officials. Some Governors have served in Congress. On the other hand, the Federal employees and officials who will be writing the voluminous regulations which will flow from the proposed legislation before you today are not responsible to the people whom you and your Government represent.

Before, during, and after my 2½ years in Washington, I found that most persons who write regulations and administer Federal programs have much less contact with State and local elected officials than do Members of Congress. As a result, there is much adverse prejudice in the Federal bureaucracy regarding the wisdom and competence of State and local officials which, I have observed, is not shared, for the most part, by Members of the Senate. This prejudice has resulted in tight bureaucratic constraints based on well-intentioned legislation.

You have an opportunity with the bill before you to reverse the trend of the past 50 years and return control over this program from the unelected bureaucrats in Washington to the people you know and represent at the State and local levels. Unfortunately, much of H.R. 7200 as now written would increase rather than decrease the mass of Federal regulation, redtape, and paper shuffling now strangling the Nation's welfare programs.

My comments to you today will focus on sections 301, 401, and 402, those related to social and child welfare services.

Sections 401 and 402 constitute a major revision of Title IV–B: Child Welfare Services. These proposals represent, in my opinion, a classic case of continuing, expanding, and further complication of an old Federal program which has long since been outmoded.

This close end services program was in the late 1960's and early 1970's passed and surpassed by its younger brother, the open end program of social services to the aged, blind, disabled, and families with dependent children.

By 1972, the open ended social services program had exploded to nearly $2.5 billion. That is 44 times the program we are talking about in this legislation today.

The Department of Health, Education, and Welfare was under pressure from some Members of Congress to bring the program under control by massive and constrictive regulations. A few of us at the State level recommended, instead, that Congress establish a close ended appropriation ceiling; allocate the funds to the States on a population basis; and continue a requirement that States provide matching funds in order to retain an incentive for fiscal integrity. With these constraints, we pointed out, it would be possible to give the States maximum discretion in designing, implementing, and administering their social services programs tailored to the needs of the individual States.

In the conference on the revenue sharing bill of 1972, conferees added an unrelated set of provisions which set a ceiling of $2.5 billion on the social services program, allocating the money to States by population with a matching requirement. The Department of Health, Education, and Welfare, however, seemed oblivious and continued with its plan for complicated, constrictive regulations.

As a direct result of the ensuing furor from the States and others, Congress suspended the HEW regulations and created the title XX social services program. Although many constraints on the State in title XX are unnecessary and should be abandoned, the new program replaced the former social services programs for the aged, blind, disabled, and dependent children.

Most former constraints on the States were removed and, most importantly, final authority was removed from the Secretary of the Department of Health, Education, and Welfare and transferred to the Governors. Title XX was supported by then Secretary of HEW, Caspar Weinberger.

I will comment on the fact that the Secretary of HEW had no knowledge of what was going on in the States. This is understandable considering the problems now, and this is another reason why these decisions should be made by Governors at the State level.

Senator MOYNIHAN. Or all Secretaries of HEW should be former budget directors of a State!

Mr. CARLESON. Thus, the small $56 million title IV-B child welfare program was overshadowed by its giant $2.5 billion brother. Most child welfare services today are being financed out of the title XX program.

Tough decisions over how to allocate social services funds are being made at the State and local levels where they should be made. Losers in the competition at the State level are continuing to pressure HEW and the Congress for special consideration through new or expanded remaining categorical social programs; such as, the programs before you today, title IV-B child welfare services and the special child care augmentation to title XX—sections 401, 402, and 301, respectively, of H.R. 7200.

This is your opportunity to transfer these categorical programs to the States through title XX. This can be accomplished by: repealing title IV-B—sections 401 and 402—and transferring its appropriation to title XX; removing the child care condition to the $200 million augmentation to title XX—section 301; repealing the condition of Federal interagency day care standards for child care financed from title XX; and, to maintain an incentive for fiscal integrity and obviate the necessity for regulatory constraints, retain a State matching requirement for all title XX funds.

Some Governors have not welcomed the new responsibility, and pressure, for making final decisions regarding allocation of social services funds within their States. These Governors may not welcome this additional discretion, but in my opinion, responsible Governors will welcome another move from Federal bureaucratic control to control by elected State officials.

I am filing for your consideration and the record, written comments relating to these and several other provisions of H.R. 7200 as well as amendments which I feel will improve title IV-A, AFDC.

I might add one other thing. I do agree with the testimony of Ms. Forney, who did appear before you this morning.

So as not to duplicate it, the four major points are in the additional materials I submitted.

One, I would recommend that you make the $30⅓ disregard in the AFDC program optional on the States. In other words, they can have it or not. They can introduce it when it is good and take it out when it is bad. If you have times of high unemployment, maybe that is not the time to reward people who are working when they are competing for jobs. Maybe the States can take it out at that time.

In times of high employment and low unemployment, then the income disregards can be put back, but let the States make those decisions.

I would recommend that vendor payments for housing and utilities should not be limited in amount and recipients should be permitted to revoke only at the expiration of the lease. If it is on a month-to-month, they can do it monthly. If they have a lease, they should only be able to revoke that at the expiration.

I would permit a work requirement in the AFDC program. I would establish quality control tolerance levels by statute.

Thank you, sir. It has been my pleasure.

Senator MOYNIHAN. We thank you, Mr. Carleson.

Senator Curtis has arrived, who I know especially wanted to hear from you. It is interesting, the number of things you have said which others in the field have said.

Mr. CARLESON. I think that title XX, Mr. Chairman, is a tremendous step in moving back to State decisionmaking. When I was in HEW at the time, we fought very hard to get one simple requirement in there. That was that the person who approves the final title XX program is the Governor of the State, not the Secretary of HEW, and I think that was a tremendous move, and I would recommend you use title XX as a place to send a lot of these categorical social service programs.

Senator MOYNIHAN. That is a very clear recommendation.

Senator Curtis?

Senator CURTIS. Mr. Carleson, there can be a strong argument made for the block grant in the whole field of welfare, and let the States decide what they want to do to relieve human suffering and provide basic needs for those people who cannot provide it for themselves.

The argument made against that is that there are various groups who say our particular category is important. We believe that if the Federal Government does not direct and encourage and promote such a program, that the States will not do it.

Conceding for a monment that maybe both of those viewpoints are a little bit politically impossible, do you believe that there is plenty of room in between in which to grant specific and detailed authority to State and local governments that will result in a better job, a more honest job, fewer problems, and is fair to the people who pay for it, as well as receive it?

Mr. CARLESON. Senator, I believe that there have been so many changes in this country in the last 15 years, political changes, I have

a lot of confidence that you can turn a lot of these programs over to the States with very few detailed specifics. They are going to do a good job.

For several years, I know one of the problems I would have with my philosophical position was that maybe there were some States where, for political reasons or whatever you want to say, the poor were not adequately represented. We have had two very significant changes.

I think the one-man-one-vote decision of the U.S. Supreme Court, for example, which has made the urban areas equal in their voting strength, was a tremendous step in the direction of majority ruler. In the States, also, the voter registration drives have, in effect, franchised the poor throughout the country where they were not franchised in the past.

As a result of this, many States which had a less than good record for providing for all of the citizens, particularly in the social areas, have vastly improved their records. I have a tremendous respect for the political system, the political clout, that the poor have throughout this country in the various States.

I am a city manager by profession before I entered State government in California and then here in HEW for 2½ years. I have watched what happens with the poor when they have political clout. I have a lot of confidence that if you send a lot of these programs back to the States through block grants with some strings—you have to say they should be used for social services, not for highways, should be used for income maintenance, not for prisons, some thing like that, but I have a tremendous belief that you could take an AFDC program, for example, the Federal money being spent on that, the Federal money being spent on food stamps, the Federal money being spent on some of the housing programs and on a lot of the work programs, send it back to the States, in the form of a block grant that would keep a certain matching requirement—I think you have to have that to insure some kind of fiscal integrity. Otherwise, they will have no incentive, as they do not have in the food stamp program, to protect these Federal funds.

I think the States can and will design a welfare system that will be the envy of everyone. Some States will do a better job than others. That is the magic of it.

When the States that do a good job do a good job, the people in the other States are going to insist that their leaders follow this example.

What happens now? If you have a bad job being done down at HEW, it influences the whole country. This is why I am against any moves to continue more toward federalization of welfare.

Senator CURTIS. I knew that was your view. I am very glad to hear it again. Thank you.

Senator MOYNIHAN. Senator Danforth?

Senator DANFORTH. I am delighted to hear your position Mr. Carleson. I agree with it. I made the point to Secretary Califano when he was here last week. I spent 8 years in State government. The great aggravation that I had, and a lot of people in State government with me had, was dealing with Feds, and it was miserable. It was one

experience of being bullied after another, and I do not believe that the American people enjoy being bullied. That is the way that they view it.

I have a problem in the block grant concept which I did not know existed until the last recess when I went home and saw it in existence. Then I saw it again the night before last, when I was handed a letter, a copy of the letter which the city of St. Joseph, Mo., received from some regional official in HUD concerning the community development block grant program.

The letter was two pages, single spaced, and it was crammed with requests for information about everything under the Sun, maps, overlays of maps, all kinds of population statistics, and it bears up the criticism that I heard a couple of weeks ago when I was home during the recess, namely that the block grant programs are misfiring; that, whereas the categorical grant programs told the bureaucracy specifically what it can do and what it cannot do, the vacuum that has been created by the block grants has been filled by ad hoc bureaucratic requirements imposed at the regional level as opposed to Washington.

Mr. CARLESON. Senator, that is true. What generally happens when you are trying to negotiate legislation for a block grant program. All the fears that Senator Curtis mentioned get expressed.

Then there are all kinds of requirements built into the new block grant statutes that say, the States should report this, report that. There is one difference. Usually in a good block grant program, while there may be a lot of reporting and a lot of paperwork, the Federal agency does not have any control to stop, or do anything about the basic projects. If I had to choose, I prefer the block grant with that kind of reporting paperwork. To the present system of categorical programs with Federal controls.

We did something, I think in the title XX program that goes beyond that, in a sense and that was to have the final decision made by the Governor, or whoever else the State law determines. At the State level, not the Secretary of HEW.

We also required that public hearings be held in the State. Some people say, these people, State officials you cannot trust. You, Senator, have been a State official; I have been one. I have been a local official. As I said earlier, Senators have a higher regard for State people than the Federal bureaucrats do, because the Senators know them.

My point is that we put in that they have to provide for public testimony. Some of the Governors did not like that. They have taken a lot of heat. For those who do not want to take the heat, I think there are plenty potential candidates who want to step into their shoes to run the State. If we went into a block grant program—I was not prepared today to go into my concepts relating to all of AFDC, food stamps, and so forth—but I think it could be done in such a way that States would spend the money on income maintenance. You would permit them to be innovative. The good States would outshine. The bad ones would have to follow fast, and I think it would solve our welfare problem.

As far as relief to the States is concerned, that would be in how you negotiate the matching amounts. You could take the block grants and

say, instead of 50–50, what about 75–25 or 80–20, however you want to do it.

I am disappointed in those States that are so desperate fiscally that they are opting for Federal administration of the welfare programs. I would rather see those States officials then say, "Hey, we can move over to the concept of block grant and get our fiscal relief through a bigger Federal percentage of the sharing." That is the kind of plan that I would propose.

Senator DANFORTH. I think you are absolutely right. Another experience that I had during the recess, I went to a town meeting-type forum in the city hall in St. Louis dealing with the community development program, and I mean the room was packed, and it was packed with people who were mad. They were mad at the way St. Louis was spending its community development money, but it was a great thing to see, because those people, when they were mad, could go to city hall and could stand up and tell the officials what was on their mind and what was wrong with the program.

And those people can afford to go to city hall in St. Louis, but they cannot afford to come 900 miles to Washington, D.C. The only people who can afford to come here are the lobbyists and representatives of the interest groups, not the ordinary people, not the poor people who are supposed to be the beneficiaries of these programs.

Mr. CARLESON. That is exactly right. I spent 13 years in city government in five different cities in California, as city manager of two of them for 4 years apiece, and then I was chief deputy director of what is now the California Department of Transportation, a big road-building outfit. Later I was directing the State department of social welfare, a completely different kind of thing. Finally, here as the U.S. Commissioner of Welfare.

At every step of the way, there were fewer and fewer people that I got to talk to or ever got to see, especially fewer and fewer people who were going to be affected by any of these decisions. In the cities, they would come right in. They were right on the other side of the desk. I remember talking to a State official who had never been a city official. He became a city official and he said, "My God, they are right there on the other side of the desk."

I have always remembered that. I am so convinced, I have so much confidence, that if you combine people who can vote—it is important that they have to be able to vote. That is what we did not have for so long. If we combine that with the fact that these decisions have to be made in public, preferably after public hearings, down there at the local level, and you are going to find that those people are going to clean up our welfare systems.

If we could ever get people in this city to change this direction from federalization, it would be great.

Senator DANFORTH. Thank you.

Senator MOYNIHAN. Senator Bellmon, would you like to address a question?

Senator BELLMON. I have no questions.

Senator MOYNIHAN. We thank you, Commissioner. I want to note that among the many achievements you have to your credit is a chapter in Martha Derthick's "Uncontrollable Spending for Social

Service Grants." When you were in California you found a law in Washington that said anything you want to charge, charge to Washington. And you did.

I do not blame you one bit. You got up to almost a quarter of a billion dollars.

Mr. CARLESON. I have to respond to that, if you will let me. That is what I found when I got there, and what was really scary was the fact that when I became State welfare director, California was getting 40 percent of the total social services spending in this country. I was appalled.

I knew that Congress was not going to let it go on forever.

Senator MOYNIHAN. So did I, because I was from New York.

Mr. CARLESON. That is what happened next. New York really plunged in.

Senator MOYNIHAN. New York plunged in. That spoiled it.

Mr. CARLESON. What happened was this—this was the interesting thing—when we came in there, I said, no more. We are not going to do any more expanding in social services. We have to hope that the other States will catch up to us before Congress puts a lid on this thing, and that is what happened.

I might add, by the way, that I appeared before Martha Griffith's committee. I testified in favor of the ceiling.

Senator MOYNIHAN. I think it should be recorded that Mr. Carleson, while a State official, said wisely to his fellow officials, "Don't spoil a good thing. They do not know they have an open ended appropriation. Do not press it too far and we can go on forever." But they would not listen to you, and the bill to increase the cap is before us today.

We thank you, Commissioner. It has been a pleasure to have you here. You know you have many friends on this committee who look to you for advice, as they have over the years, and will be looking for you for advice in the shaping of this final legislation.

Mr. CARLESON. Thank you, Mr. Chairman.

[The prepared statement of Mr. Carleson follows:]

PREPARED STATEMENT OF ROBERT B. CARLESON, FORMER U.S. COMMISSIONER OF WELFARE

Mr. Chairman, Members of the Committee: It is a pleasure for me to appear before this Committee. It has been my privilege in the past to present testimony to the Finance Committee, most recently in my capacity as U. S. Commissioner of Welfare, and, on February 1, 1972, accompanying Governor Ronald Reagan during my tenure as Director of The California State Department of Social Welfare. Since Governor Reagan's appearance in 1972, most of his recommendations have been enacted into law largely through the efforts of Chairman Long and Senators Talmadge and Curtis of the Finance Committee.

My remarks today are in the capacity of a private citizen who has spent his career as a local, state, and federal official and, most recently, as a consultant in welfare matters to federal, state, and local officials.

Members of the Senate are elected by the same people and represent the same people who elect governors and state legislators. Many senators have served as governors, state legislators, or elected local officials. Some governors have served in Congress. On the other hand, the federal employees and officials who will be writing the voluminous regulations which will flow from the proposed legislation before you today are not responsible to the people you and your governor represent. Before, during, and after my two and one-half years in

Washington, I found that most persons who write regulations and administer federal programs have much less contact with state and local elected officials than do members of Congress. As a result, there is much adverse prejudice in the federal bureaucracy regarding the wisdom and competence of state and local officials which, I have observed, is not shared, for the most part, by members of the Senate. This prejudice has resulted in tight bureaucratic constraints based on well-intentioned legislation.

You have an opportunity with the bill before you to reverse the trend of the past fifty years and return control over this program from the unelected bureaucrats in Washington to the people you know and represent at the state and local levels. Unfortunately, much of H.R. 7200 as now written would increase rather than decrease the mass of federal regulation, red tape, and paper shuffling now strangling the nation's welfare programs.

My comments to you today will focus on Sections 301, 401, and 402, those related to Social and Child Welfare Services.

Sections 401 and 402 constitute a major revision of Title IV-B, Child Welfare Services. These proposals represent, in my opinion, a classic case of continuing, expanding, and further complication of an old federal program which has long since been outmoded.

This "closed-end" services program was in the late 1960's and early 1970's passed and surpassed by its younger brother, the "open-end" program of social services to the aged, blind, disabled, and families with dependent children.

By 1972, this "open-ended" social services program had exploded to nearly $2.5 billion dollars. The Department of Health, Education, and Welfare was under pressure from some members of Congress to bring the program under control by massive and constrictive regulations. A few of us at the state level recommended, instead, that Congress establish a "close-ended" appropriation ceiling; allocate the funds to the states on a "population" basis; and continue a requirement that states provide matching funds in order to retain an incentive for fiscal integrity. With these constraints, we pointed out, it would be possible to give the states maximum discretion in designing, implementing, and administering their social services programs tailored to the needs of the individual states.

In the Conference on the Revenue Sharing Bill of 1972, conferees added an unrelated set of provisions which set a ceiling of $2.5 billion on the Social Services Program, allocating the money to states by population with a matching requirement. The Department of Health, Education, and Welfare, however, seemed oblivious and continued with its plan for complicated, constrictive regulations. As a direct result of the ensuing furor from the states and others, Congress suspended the H.E.W. regulations and created the Title XX Social Services Program. Although many constraints on the states in Title XX are unnecessary and should be abandoned, the new program replaced the former social services programs for the aged, blind, disabled, and dependent children. Most former constraints on the states were removed and, most importantly, final authority was removed from the Secretary of The Department of Health, Education, and Welfare and transferred to the governors. Title XX was supported by then Secretary of H.E.W., Caspar Weinberger.

Thus, the "small" $56 million Title IV-B Child Welfare Program was overshadowed by its giant $2.5 billion brother. Most child welfare services today are being financed out of the Title XX program. Tough decisions over how to allocate social services funds are being made at the state and local levels where they should be made. Losers in the competition at the state level are continuing to pressure H.E.W. and the Congress for "sepcial consideration" through new or expanded remaining categorical social programs; such as, the programs before you today, Title IV-B Child Welfare Services and the "special" Child Care augmentation to Title XX (Sections 401, 402, and 301, respectively, of H.R. 7200).

This is your opportunity to "transfer" these categorical programs to the states through Title XX. This can be accomplished by: repealing Title IV-B (Sections 401 and 402) and transferring its appropriation to Title XX; removing the Child Care condition to the $200 million augmentation to Title XX (Section 301); repealing the condition of Federal Inter-agency Day Care Standards for Child Care financed from Title XX; and, to maintain an incentive for fiscal integrity and obviate the necessity for regulatory constraints, retain a state matching requirement for all Title XX funds.

Some governors have not welcomed the new responsibility (and pressure) for making final decisions regarding allocation of social services funds within their states. These governors may not welcome this additional discretion, but in my opinion, responsible governors will welcome another move from federal bureaucratic control to control by elected state officials.

I am filing for your consideration and the record, written comments relating these and several other provisions of H.R. 7200 as well as amendments which I feel will improve Title IV-A (AFDC).

I thank you again Mr. Chairman and members of the Committee for giving me this opportunity to present my views.

ADDITIONAL COMMENTS TO STATEMENT OF ROBERT B. CARLESON, FORMER U.S. COMMISSIONER OF WELFARE, JULY 20, 1977

TITLE I—SUPPLEMENTAL SECURITY INCOME

Section 114—Coordination with Other Assistance Programs.—I recommend approval. This provision will permit better service to the recipients of the S.S.I. program and will permit states to administer the S.S.I. program under contract with the Social Security Administration where it is in the public interest to do so.

Section 115—Attribution of Sponsor's Income and Resources to Aliens.—I recommend this and appropriate other sections of the Social Security Act be amended to apply to all public assistance programs, federal, state, and local.

TITLE III—SOCIAL SERVICES PROGRAM

Section 301—Increase Ceiling, etc.—I recommend the removal of the condition that the $200 million be used for child care. Further, I recommend that the state matching requirement be returned, and the condition that the Federal Inter-agency Day Standard applies, be removed permanently.

TITLE IV—CHILD WELFARE SERVICES PROGRAM

Repeal Title IV-B of the Social Security Act and transfer appropriations to Title XX, retaining the state matching requirement of Title XX.

TITLE V—AFCD

Section 502—Federal Payment of Foster Home Care of Dependent Children in Certain Public Institutions.—I recommend approval.

Section 503—Adoption Subsidy.—I recommend approval.

Section 504—Child Support Enforcement Program.—I recommend approval.

Section 505—FFP in Certain Restricted Payments under AFDC.—I recommend amendment to remove limit of 50 percent of the monthly AFDC payment. I also recommend amendment to permit revocation by the recipients only at the termination of a lease or monthly if there is no lease.

That Sections be Added to Title V—AFDC to Accomplish the Following:

1. Permit states to apply work requirements.

2. Provide for monthly income reporting, at state option, in AFDC.

3. Establish quality control tolerance levels legislatively—(a) either using approach in the Talmadge bill on hospital cost containment; or, (b) establish tolerance levels at 4 percent, with reward of 5 percent of total federal money for every .5 percent they fall below 4 percent.

4. In the case of overpayments, permit adjustment (a) from any income or resources (including lump-sum payments) which are available to the family; (b) from exempt income or disregards; and, (c) in future payments by not more than 10 percent of the monthly payment. In the case of underpayments, require adjustment in future payments within maximum period prescribed by state. If family no longer receiving public assistance, state plan must provide for recovery of overpayment. In case of fraud, state may recover more than 10 percent (in "c" above), or may terminate benefits.

5. Eliminate general provision relating to eligibility on the basis of "continued absence from the home" and provide specifically for deprivation because of desertion, abandonment, divorce, legal separation, institutionalization, or incarceration resulting in continued absence in excess of 90 days (including

parent of illegitimate child). In cases of emergency, 90-day limitation may be disregarded.

6. Provide that for the "$30 plus 1/3" disregard of income, earned income shall include only wages.

7. Instead of "$30 and 1/3", provide a disregard of the first $60 of earned income for individuals who are employed at least 40 hours per week, or at least 35 hours per week and earning at least $92 per week, and the first $30 of earned income for other individuals, plus in each case, one-third of up to $300 of additional earnings, and one-fifth of such additional earnings in excess of $300, plus in each case reasonable and necessary child care actually paid, subject to limit by regulation. Other modifications: disregard for child care to be limited to 80 percent of cost of care for child under 15 (to operate in conjunction with 20 percent refundable tax credit for child care costs); limit of four consecutive months for purposes of disregard; overall limit of 150 percent of needs standard; states would have the option of setting maximum for child care expense.

8. Reverse computation of work-related expenses and "$30 and 1/3". (Deduct work-related expenses first.)

9. Make the "$30 and 1/3" (or its modification) optional by choice of the state.

Senator MOYNIHAN. We have the pleasure this morning of our cherished colleague and friend, Senator Henry Bellmon.

STATEMENT OF HON. HENRY BELLMON, A UNITED STATES SENATOR FROM THE STATE OF OKLAHOMA

Senator BELLMON. Thank you, Mr. Chairman.

The suggestions that I want to offer may seem to be a little minor compared to the testimony that you have just heard from Commissioner Carleson. I might say that I tend to favor some of the positions that Commissioner Carleson favors, but I came to talk to you about some corrections and improvements that we could make in the present welfare program, other than a broad-brush approach to change the whole concept.

I have been here in Washington for about 8½ years. Most of these years, we have seen some talk about welfare reform; on balance, not that much has happened.

What I am concerned about is that we take action now to correct some of the problems with existing programs; when and if we ever get a broad-brush welfare reform, then we can deal with that subject at that time.

I would like to congratulate the committee for the efforts you have made to bring about needed improvements in the construction and operation of existing welfare programs. I believe H.R. 7200 places some of these important issues before the Senate, especially the question about adoption of foster care. Again, those are not the two issues I want to talk about.

Yesterday I introduced two bills into the Senate, one of which has been entered as S. 1188, the other is S. 1891. What I would like to do with those bills is to clarify the authority that States and local government have to undertake work programs and to provide additional support where it is needed.

Mr. Chairman, I have a prepared statement. I would ask that the entire statement be made a part of the record as well as copies of these two bills and the explanations for them.

I would like to take just a few minutes of the committee's time to explain what they do.

Senator MOYNIHAN. You may take as much of our time as you wish. You are our colleague and friend.

Senator BELLMON. I will try not to be too wordy.

First of all, I remind the committee that I once served as Governor. At that time, we had a work program in our State that impressed me a great deal. It was run under the title V program. We were able, during the time I was there and observed the program, to take about 3,000 welfare mothers, AFDC mothers, put into training programs of one kind or another, make it possible for about 2,200 of those people to receive full-time permanent jobs. We saw their income go up from, as I remember, $200 under the AFDC program to something like $400 in earnings.

We saw very important changes made in the family structure of the women who were working. There was a great deal of increased sense of pride and responsibility that they had toward their children. All the way around, it was a very healthy thing.

The problem is, we now have the WIN program and the CETA program. There are not enough slots for all the people to perform some kind of needed public service. A lot of jobs that we created were in public institutions: the State schools for the mentally retarded, the State mental hospitals, and some of the jobs provided by local municipalities and governments.

What I would like to propose in S. 1188 is that we increase the authority of the States to provide these kinds of job opportunities for people on AFDC. I want to make it plain that I am not recommending any type of slave labor or any effort to exploit people. I think that these jobs are very often sought after by those who are on welfare, and that States, if they were permitted to develop and implement properly safeguarded work programs, could provide the kind of work opportunity and training that people actually want, so please do not get the impression that I am talking about forcing AFDC recipients into these jobs.

We are providing an alternative that they do not now have to accept these public service jobs on a part-time training basis.

The general public, I think, often does not understand why we do not provide more work opportunities for our welfare people. This is one of the things that has brought more criticism than anything else to our welfare programs.

All of us who read our mail know how much concern there is that we are raising up one generation after another who have never werked, and the work ethic is being lost. I think encouraging States to innovate in this area would be an improvement for the public assistance programs. What we need is a program to supplement States with additional opportunities to develop innovative work and training programs.

Recently I became aware, as I am sure others have, of a work program in the State of Utah that appears to be working very successfully. The bill I have introduced, S. 1188, is modeled in part after this Utah experience. In addition, there are other States—Massa-

chusetts, Minnesota, and Michigan, for example—that are now trying to get Federal support for innovative work programs.

I also understand that West Virginia and Oregon have taken some very imaginative and effective approaches in their WIN programs, the point being, Mr. Chairman, that here is the place where the State seems to be well ahead of the Federal Government, where we need to give them more authority, more opportunity to use their own initiative and to apply nationwide the lessons that have been learned in the States that already have undertaken this sort of activity.

I call the committee's attention to the February 1977 report on welfare reform by the National Governors' Conference. That report recommended that States be required to develop community work approaches as part of their role of improving public assistance programs.

Here again, the Governors are asking for the authority to undertake this kind of activity.

Very quickly, what S. 1188 would do is to make it possible for the States to set up programs that would provide work opportunities for the people who are presently receiving benefits but have no ways of getting work skills.

I have attached to the bill and would like to have made a part of the record a detailed explanation.[1] There is no point in my taking a lot of the time of the committee to go into the details. It is all set out in the legislation, but primarily the purpose here is to make certain that a State that has work that needs to be done and which is not now being done puts these people in these work slots and sees that it will help them to hold a regular job.

Section 409 of the Social Security Act, the community work and training program, would be reinstated effective January 1, 1978, thereby giving States the opportunity to include a community work and training component into their AFDC program.

I would also recommend some changes in section 409. The first change is that we have a community work and training activity conducted beyond the WIN basis. The problem is, as I said earlier, there are not enough WIN slots to go around. I would like to see the States have the authority to expand beyond the limits of WIN.

This may be distasteful to some of the committee, but it is absolutely essential that we free the States from the prevailing wage standards, but we also require that States, to assure that no AFDC recipient would be required to work more hours than would equate to the Federal minimum wage given the size of the grant to the size of the family in a given area.

If we put people to work, AFDC recipients to work in a mental hospital, we would want to pay them, or allow for them to be paid, not the prevailing age, but minimum wage, and make sure that the amount of work hours that they work do not exceed the amount of wages earned by the AFDC grant. It a person was being granted $250 a month, they would only work 100 hours. We put a limit of 24 hours a week in the assigned work plus 8 hours in training.

The bill would limit to 3 years the amount of time that the individual could participate in this kind of community work and training.

[1] See p. 432.

We do not want people going into these programs to make a career out of it. We want them to be on long enough to train so they can be employed and hold a regular job.

The States that operate the program would receive 90 percent Federal matching for the administrative costs involved. Some States are hesitant to get into this, because it does increase the administrative costs, even though there are presently Federal matching funds for the actual cost of the program.

We provide for 90 percent Federal matching for the administrative costs. In my judgment, the States should make the program mandatory, but they could, if they wanted to, operate it on a voluntary basis. If someone declined, if some AFDC recipient declined to take these jobs, it would be up to the State to decide whether that was mandatory or could be made voluntary.

In my judgment, Mr. Chairman, this kind of a program will help recipients. It will help the families gain respect. It will help gain public support for welfare programs. It will help get a lot of work done that needs to be done that is not now being done.

I believe that it would be a major improvement on our existing welfare efforts.

The other bill that I have, which is very brief, simply provides for more Federal support for the present programs that support unemployed AFDC fathers. I think it is one of the great tragedies of our welfare system that, in effect, we require the breakup of families in order to make AFDC benefits available in many cases.

There are now many States that are providing for support for unemployed fathers, and my bill would make that same support available nationwide, not on a State-by-State basis.

I know that there is a proposal to increase support for the welfare programs across the country. I believe that one way to do this would be to go ahead and reimburse the States that are now providing for support for unemployed fathers, to provide reimbursement to the States for those moneys, and to make the same benefits available to other States who do not have similar programs.

This bill then provides 100 percent of the cost of the benefits to the AFDC unemployed family program. All 50 States and the District of Columbia would be assured of it by the Federal Government effective in fiscal year 1979. The cost of the bill would be about $460 million. I believe it is justified by the significant movement it would bring toward a better welfare system in the country. It would do away with this deplorable system now where we force the family to break up in order to qualify for AFDC.

I do not need to point out to the committee what happens. Take the case of a father who perhaps is working in a filling station. He loses his job. He is eligible for several months of unemployment compensation. If he cannot find a job during that period of time, then he is in a very desperate situation. He knows if he leaves home the family will qualify for AFDC. If he stays home, they simply have no access to those benefits.

I believe that State unemployed father programs should receive full support from the Federal Government and we ought to go

ahead and make the same support available for the 26 States that do not have those programs.

As I say, the cost is $460. I believe that it would be a good investment.

Senator MOYNIHAN. Senator, we thank you so much. I know that Senator Curtis will want to ask you some questions.

Senator CURTIS. Senator Bellmon, I commend you and agree with you on your work program. I think we should make it possible that these work programs could be worked out as much on the local level as possible, because that is where the jobs are.

In your other bill to pay AFDC unemployed parents programs, that 100 percent subsidy, I have some problems. This first estimate of $460 million, that is the yearly cost?

Senator BELLMON. That is the yearly cost.

Senator CURTIS. That is almost a half billion dollars. If this program goes like the others, you are recommending a sizable move on the part of the Federal Government to take over the welfare costs.

If we were to adopt your bill, if it became law, that would mean that the widow supporting a family of children would be entitled to AFDC if the local government paid their share.

Senator BELLMON. That is true. The local share depends on the relative wealth of the State.

Senator CURTIS. The same is true if her husband were unemployed. The State or the local government would have to match and pay their fair share. The same would be true if the one parent became totally disabled. We would only pay AFDC if there was a State of a local matching fund.

Your proposal would be, you pick out one category and say if the parent was unemployed that we would make a 100-percent Federal subsidy. I think that would be very discriminatory. I believe that it would lead to a lot of problems. I believe the borderline case as to disability or anything else could be well classified as unemployed—for one category would get a 100-percent subsidy, the other a sharing.

I would like to ask you this question. Is not the unemployed parent part of AFDC working all right in the States that are using it?

Senator BELLMON. The question is is the unemployed fathers program working in States that are using it now?

Senator CURTIS. Yes.

Senator BELLMON. As far as I know, the answer is yes. It is working very well.

Senator CURTIS. In other words, it solves the problem you talk about, about breaking up homes.

I was here on the committee when that change was made. We received a great deal of testimony that said in substance just as you pointed out, there is a father, you cannot get work, and his family—if he absconds or claims to have absconded, his family can get on AFDC. This is a temptation to break up families.

The Congress responded to that, and said, all right, the States could include a category of unemployed parent, just as if he were deceased, in prison, or totally disabled. The States could respond to it and according to your testimony have met the problems all right.

This is an invitation to increase the Federal burden by the first estimate of at least a half billion dollars. It also discriminates in different categories.

If the States who do not have this program are promoting the breakup of families, would not the answer be to say all right from the Federal standpoint, the unemployed parent has to be treated just as the other categories?

Senator BELLMON. Senator Curtis, there are two aspects of this that caused me to come to the conclusion that I have. One is that the States that now support the unemployed fathers programs are putting out a lot of their own money, some $300 million. Some of those States need relief. They cannot go on doing what they are doing without some help, and I would say that the efforts they are making are so meritorious that it would be well to reimburse them on the unemployed fathers program than give all States additional assistance, even though some States have not gone into this type of activity.

If my figures are correct, the States of California is now spending $89.5 million per year in the unemployed father program. California is one of the States that needs some help. My own State of Oklahoma does not have an unemployed fathers program. Under the terms of this bill, we would receive $6 million, which would help us if we went into this kind of program.

All I am saying to you is that I think that the program is sufficiently meritorious that the Federal Government ought to go ahead and provide support that it can be continued in States that have it and get started in States that do not have the money available up to now.

Senator CURTIS. Is that not going with the premise that the Federal Government should take over welfare? We have already established—I am not willing to concede, but we have already established a type of guaranteed annual income, or income maintenance program, in food stamps. Local government has put in no money.

There is no work requirement. The Senate voted to include to make it possible for a family of four to have food stamps if their incomes, in some cases, were as high as $16,000.

This is another backdoor approach to the family assistance plan and a guaranteed annual income. I do not agree, but if we are going to adopt it, it should be debated out in the open. We should go in the front door.

Senator BELLMON. As I understand the way most States operate the unemployed father program, those individuals must apply and accept work when it is available. They could easily be put to work on the proposal I am making here this morning.

Senator CURTIS. Here is another problem. You raise some serious questions.

If the AFDC payments in the case of an unemployed father, if the cost is shared by the local government, State and local government representatives are the administrators, and they will be more diligent in finding jobs. Let us assume that most recipients are working, and I think they are—there are a few who are not working—I think the local government would be on the side of putting to work those

who were not working, but if it is a full Federal payment, it seems to me that it invites every evil that we have complained about throughout the years in connection with welfare, that we have one level of government paying the bill and another one enrolling the recipients.

Senator BELLMON. As I said earlier, we have 26 States who have not seen fit to put these programs in place under the terms of present law. I believe if those States would participate in these programs, then perhaps after a time they would be amenable to do some kind of Federal matching or some State matching. To get the program started it seems necessary for the Federal Government to put up the money.

Senator CURTIS. Have there been any States who do not have it where a group has become interested and mobilized public opinion in favor of it, where they have lost the battle?

Senator BELLMON. I do not have the answer to that. I do not know.

Senator CURTIS. Also, I think if we passed your proposal next week we would have a hard time getting a Budget Committee waiver for a half billion dollars more of welfare.

Senator BELLMON. Senator Curtis, my proposal affects fiscal year 1979.

Senator CURTIS. You learned that from this committee.

Senator BELLMON. I also point out, I had an amendment before the Senate yesterday to knock off the half billion dollars reported in the defense bill to do research and development on the B-1, an airplane which we are not going to build. To me, this was a much more suitable place to spend that money than to spend it to research an aircraft that is going to be a likely Edsel.

Senator CURTIS. I think we have enough resources to defend this country and to take care of those people who just cannot take care of themselves.

Senator MOYNIHAN. You would not mind if I say that I voted with Senator Bellmon, nonetheless.

Senator BELLMON. This probably is the worst thing about the welfare program, the fact that we do require—you can put yourself in the place of a young father who has a family of children of which he thinks a great deal. He has had a job, tried to do the best he can to provide for them.

Through no fault of his own, he loses his job. If he cannot find another one, he has to face the proposition of seeing his children hungry or leave home so they can qualify for AFDC.

Senator CURTIS. Not if he lives in Nebraska.

Senator BELLMON. I am speaking of Oklahoma.

Senator CURTIS. We are asking to assume a role here——

Senator BELLMON. Nebraska spent $85,000 on its program last year.

Senator MOYNIHAN. May I say it is an interesting and certainly attractive point of exchange when a Senator from a State that does not have the program is proposing and the Senator from a State which does have the program is not being very enthusiastic. Both of you gentlemen are speaking from principle. Both of you are well enough off not to be bound by parochial concerns, as I am.

Senator BELLMON. It ought to be pointed out, Mr. Chairman, it is in my statement. Even though programs have been in effect for sometime in many States, of the 3½ million families that now receive AFDC, only 150 families are participating in the unemployed fathers program.

It is obvious to me that the program has not been abused. I would say because of any number of considerations that it ought to be federally supported.

Senator MOYNIHAN. Senator Curtis?

Senator CURTIS. May I incorporate into the hearings at this time a letter by "Cap" Weinberger when he was in HEW to Congresswoman Holt on this subject?

Senator MOYNIHAN. With great pleasure.

[The material to be furnished follows:]

THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE,
Washington, D.C., July 10, 1975.

Hon. Marjorie S. Holt,
Chairwoman, The Republican Study Committee, House of Representatives, Washington, D.C.

Dear CHAIRWOMAN HOLT: Thank you for your letter of May 15 concerning the relationship between the presence or absence of the AFDC-UP program and family break-up.

The specific comparison which you suggest between rates of family break-up in states with and states without the AFDC-UP program is not available because there are no available data on "separations" (as opposed to divorces) within the low-income population. However, there are other kinds of evidence which indicate that the UP program does not have a large effect on family break-up.

First, there are several studies which indicate that the presence of the program does not reduce family break-up. One such study, an examination of the relation between the existence of the UP program and the number of females who head families with children (based on 1970 Census data from low-income areas in 41 cities) found no correlation. A second study, which examines actual break-up rates (rather than the number of female-headed families) in a national sample of 3000 families followed over five years, found no correlation between living in a state with the UP program and greater family stability. (Both of these studies are from yet-to-be published analyses carried out under a Departmental grant to the Urban Institute, under the direction of Dr. Isabel Sawhill.)

Finally, an analysis of data from semi-annual surveys of AFDC recipients carried out by this Department showed that, of two-parent families enrolling in the UP program, there was about a 20-percent break-up during the first year on the rolls. While we cannot compare this to what the situation would have been if there had been no UP program, it does not appear that the program is helping to stabilize families.

I know of no direct evidence on the question of whether excluding working families with low income from participating in the UP program contributes to family break-up. However, data from income maintenance experiments in New Jersey, Seattle, Denver, and Gary would appear to cast doubt on this possibility. These experiments indicate that the availability of an income-tested transfer program does not increase the marital stability of intact families.

As you may know, the more general issue of the effect of the present welfare system on family stability is analyzed extensively in Paper Number 12 of the "Studies in Public Welfare" issued by the Subcommittee on Fiscal Policy of the Joint Economic Committee at the end of 1973. The weight of the evidence there and in subsequent work is that the AFDC program has at least some small effect in increasing the number of female-headed families. A recently published study by Blanche Bernstein of the New School for Social Research in New York (described in the New York Times, June 15), found that among

about 500 welfare mothers interviewed, 14 percent said that their decision to separate "was influenced" by the availability of welfare in New York. That seems to me to be a significantly large numberf even assuming some of the people may not be wholly accurate in their self-assessment. Also we cannot overlook the fact that, in addition to the 14%, making welfare available only to women without husbands may well contribute to maintaining a larger number of female-headed families at any given time than would otherwise be the case.

I appreciate your interest in these important questions, and I want to assure you that we share your concern and will continue our research in this area.

Sincerely,

Cap Weinberger,
Secretary.

Senator MOYNIHAN. Senator Danforth?

Senator DANFORTH. Are you planning to send around a "Dear Colleague" letter?

Senator BELLMON. I introduced these bills quickly, without such activity. It is a good thought.

Missouri has the program already, as you know.

Senator DANFORTH. On the fathers, AFDC?

Senator BELLMON. Yes.

Senator DANFORTH. I definitely agree with you on that proposal. On the first one, I do not know. I have not resolved in my own mind the relationship between work programs and welfare programs, but I think it is certainly worth thinking about. But on the fathers, I think you are absolutely right.

Senator BELLMON. On the work programs, I wish it were possible to go back to 1965 when we had that program working in Oklahoma and have people see what happened—not just the fact that it saved the State and the Federal Government a considerable amount of money, but to the people who gained the ability to provide for themselves. It was an enormous source of pride to people who had been on welfare perhaps two or three generations to suddenly be going to the point where they could compete in the job market and bring on a paycheck.

It really is worth a great deal more than you can judge by the monetary considerations.

Senator DANFORTH. Thank you.

Senator MOYNIHAN. Senator, we thank you so much for this testimony. It is probably fair to say with respect to your view on the AFDC–UF program that this is more appropriate to the general welfare proposals the administration is sending us in August. We will be dealing with that in the fall.

On the first bill, you made an impression on us, and I think we find more than a little sentiment on that matter in this committee. We will look forward to working with you.

Senator BELLMON. Mr. Chairman, let me say again that I hope that the committee would not wait until we pass a massive welfare reform to make changes. We may never pass such a bill.

We have had welfare reform kicking around here for years. Not much has happened.

Senator MOYNIHAN. You certainly make an important point.

Senator CURTIS. Mr. Chairman, at that point, I would like to observe that the Senate passed some welfare reform measures in the

last Congress that never became law. It is my understanding that this committee is going to mark up H.R. 7200 next week and, for the the purpose of serving notice to the staff and others so they will know about it, I have introduced two bills, S. 1886 and S. 1887 which deal with two of the subjects that the Senate has already passed: standardizing earnings disregards and reversing the computation of work-related expenses.

And also, I understand that Senators Laxalt and Roth have selected some of these measures that were passed by the Senate last year that were introduced dealing with work requirements.

My reason for mentioning it, so they can be on hand and be considered when we mark up H.R. 7200.

Senator MOYNIHAN. We thank you, sir. May I say, another distinguished Oklahoman is going to be here later, Mr. Charles McDermott, comptroller of Oklahoma City for social and rehabilitative services.

Thank you very much, Senator.

Senator BELLMON. Thank you.

Senator MOYNIHAN. It was a pleasure and an honor.

[The prepared statement and attachments follow. Oral testimony continues on p. 438.]

PREPARED STATEMENT OF SENATOR HENRY BELLMON

Mr. Chairman, I appreciate this opportunity to talk with your committee today about some of the problems in our public assistance programs. I think it is vital that we improve the present programs as much as possible while we debate "welfare reform."

Past experience shows us there is a real danger that problems in our present programs will go unattended while we debate the complex and emotional issues involved in making fundamental changes to our public welfare system. For example, during and for sometime after the study and debate of the Family Assistance proposal by the Nixon Administration, very little work was done in the Executive Branch to improve the design of the Aid to Families With Dependent Children (AFDC) program.

To millions of people, the way state and local governments deliver the present programs, and the policies the Federal Government imposes on them, are more critically important than is the debate over the type of welfare system we will have in five or ten years. We must not forget either that tens of thousands of dedicated state and local employees struggle daily with administering our present mix of programs.

I commend the Finance Committee for its past efforts to improve our Public Assistant programs. The Child Support Enforcement program now operating throughout the country is a good example of the type of improvements you have developed which both help the recipients of Public Assistance and make the programs more credible with the general public.

I look forward to the report of your committee on H.R. 7200, The Public Assistance Amendments of 1977. The House of Representatives, in passing this bill, has placed before the Senate some important issues. I am sure this Committee will consider each of these issues carefully—along with other concerns and possibilities for improvement not dealt with in the House bill. I look forward to your report and to the Senate debate on your recommendations.

Mr. Chairman, I am not going to comment today on the specific provisions of H.R. 7200. You are receiving a lot of expert testimony on that bill. Your report on it will be an important one and I expect to take an active part in the full Senate's consideration of your recommendations. I do want to note, Mr. Chairman, that I feel additional legislation is urgently needed in the fields of foster care and adoptions. Reports that reveal serious inadequacies in our present approaches seem to be appearing almost weekly, I trust that your committee will be able to bring to the floor a bill that will help strengthen the protection

of our most vulnerable children and increase the opportunity for many of them to grow up in stable, healthy surroundings.

If I may, I would like to offer some recommendations on two matters that are not addressed in the House bill. I hope You will deal with these promptly, either in your mark up of the bill now before you, or as soon as you can work them into your crowded calendar.

COMMUNITY WORK PROGRAMS FOR PUBLIC ASSISTANCE RECIPIENTS

First, I urge you to consider, modify as you conclude is appropriate, and then endorse the bill which I have offered (S.1888), to amend Title IV of the Social Security Act to clarify the authority of HEW to approve work programs for AFDC recipients, which supplement the WIN (work incentives) program, provided for in part C of Title IV. I understand court decisions and rulings by HEW attorneys have inhibited states and local governments from undertaking types of work programs they consider reasonable and supportive of the efforts of AFDC recipients to become self-sufficient.

Mr. Chairman, many people receiving AFDC, for whom no CETA or WIN slot--and no permanent job—is available, could perform needed public services and develop job skills and a record of experience in return for their public support.

Now, Mr. Chairman, I am not recommending any type of slave labor or exploitation of people. What I am proposing is that states be permitted to develop and implement properly safeguarded work programs in which some of those AFDC recipients who can work, and for whom a better alternative is not available, perform public service activities on a part-time basis.

The general public does not understatnd why we don't give work to able-bodied adults who receive public assistance. All of us who read our mail and talk to people know that this is one of the biggest concerns about our welfare programs. Freeing states to be more innovative in the work area would be a good short-run improvement to our Public Assistance programs.

When I was Governor, I was very pleased with the operation of the old Title V, Work Experience program in Oklahoma. Several years ago, I introduced a bill which would have reinstated the Title V program. I understand that considerable progress has been made in making the WIN program effective and that about 250,000 AFDC recipients per year are now obtaining jobs with the help of WIN. But, we do not have enough slots under WIN and CETA to respond to all the opportunities which exist for AFDC recipients to do useful public service work, and at the same time, acquire job skills and work experience. We need, in my opinion, a program that supplements states with additional opportunities to develop innovative community work and training programs.

Recently, I became aware of a work program in the State of Utah which appears to be working successfully. My bill is modeled in part on the Utah experience. I am told HEW is not sure its approval of the program would stand up against a court challenge. My bill would protect the Utah program and authorize other states to conduct similar programs.

I am told that several States-- Massachusetts, Minnesota, and Michigan, for example—are trying to get Federal support for innovative work programs. I understand also that States such as West Virginia and Oregon have taken very imaginative and effective approaches in their WIN programs. All this shows that the states can and will innovate in developing work alternatives, If we will remove some of the obstacles and perhaps provide a little front end money out of our existing programs, we will see a lot more action.

I call the Committee's attention to the February 1977 report on Welfare Reform by the National Governor's Conference. That report recommended that states be required to develop community work approaches as part of their roles in improving Public Assistance programs. That report is further confirmation that the time is ripe for some further legislative action in regard to work opportunities for welfare recipients.

I invite the Committee's attention also to the Food Stamp bill (H.R. 7940) reported recently by the House Ways and Means Committee. That bill would require each state to establish a pilot program in some part of the state under which Food Stamp recipients would "work off" their benefit. I do not know

what the ultimate disposition of that recommendation will be in the House or whether it will survive the conference with the Senate. But, the fact it was adopted by the Agriculture Committee by a lopsided majority shows there is considerable support in the other body for action on the work-welfare front.[1]

Mr. Chairman, I offer for your consideration, the bill I have introduced and the statement I made in explanation of it. I believe the bill would give the states the kind of flexibility and support they need, while providing proper safeguards for AFDC recipients.

Mr. Chairman, in offering these comments and my bill, I am keenly aware that this Committee was led the way in seeking to broaden work opportunities for AFDC recipients. Last year, in fact, you included provisions in the Title XX amendments to increase the employment of AFDC recipients in day care programs. I am also aware of Senator Talmadge's proposal in S.1795 now pending before this Committee to strength work search provisions and other aspects of the WIN program.

MANDATORY COVERAGE OF FAMILIES HEADED BY UNEMPLOYED FATHERS

Mr. Chairman, I also want to discuss very briefly another proposal I have incorporated into a second bill, (S.1891), I have also introduced. I refer to my proposal that the Federal Government assume 100 percent of the cost of AFDC benefits provided to families headed by unemployed fathers (AFDC-UF) and that all states be required to provide benefits to such families not later than October 1, 1978.

Mr. Chairman, this proposal would respond to one of the most serious criticisms of the Aid to Families with Dependent Children (AFDC) program. I refer to the charge that the program is anti-family in that, in nearly half the states, a family cannot qualify for assistance if it includes an employable male. This means that those men who have no other means of supporting their families may have no choice other than to desert their families so that the family can qualify for AFDC.

Mr. Chairman, this is not the kind of public policy we should have in the United States of America. I am aware of some of the concerns that led to this provision in our current law. But, experience with the Unemployed Fathers portion of AFDC in the 26 states (and the District of Columbia) which have the program, has shown that it remains a small, but important component of the overall AFDC program. Currently, there are only about 150,000 families nationally in the Unemployed Fathers programs out of about 3½ million families receiving AFDC.

Estimates my staff has received informally from HEW indicate it would cost the Federal Government about $160 million per year to pick up the full cost of the AFDC—Unemployed Fathers (AFDC-UF) program in those states which do not now have it. It would obviously be unfair for the Federal Government to pay the full cost of the program only in those 24 states. Therefore, my bill provides for 100% of the costs of benefits to AFDC-UF families in the 50 states and the District of Columbia to be assumed by the Federal Government, effective in Fiscal Year 1979.

Mr. Chairman, this proposal would provide about $300 million in fiscal relief to those 26 states (plus D.C.) which already have the AFDC-UF program. In that sense, it would meet some of the objectives of Senator Moynihan's fiscal relief proposal, (S.1782). My bill would correct a major deficiency in the AFDC program in the other 24 states. I believe the total cost of this bill—HEW's preliminary estimate is that it would cost about $460 million—is justified by the significant movement it would bring toward a better public welfare system in this nation, and by the fiscal relief it would provide to some of our states which are experiencing the most strain from the welfare costs they must pay.

I am appending to this statement a preliminary table obtained from HEW. This table shows the estimated benefits of this bill by state. The first column of figures are the total estimated Federal costs per year after adoption of the changes I propose. The second column of figures shows the cost of the AFDC-UF program in those states which are now operating it.

Mr. Chairman, I thank the Committee for hearing me today. I hope my comments will prove helpful to you.

[1] The actual vote was 43–2 in favor of the pilot programs.

[S. 1888, 95th Cong., 1st Sess.]

A BILL, To amend title IV, of the Social Security Act to allow States to provide community work and training programs under State plans for aid and services to needy families with children.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 409 (a) of the Social Security Act is amended by striking out "such State agency" in the matter preceding paragraph (1) and inserting in lieu thereof "a State agency".

(b) Section 409 (a) (1) (B) of such Act is amended by striking out "and not less than the rates prevailing on similar work in the community".

(c) Section 409 (a) (1) of such Act is amended—

(1) by striking out the word "and" at the end of subparagraph (F); and

(2) by adding at the end thereof the following new subparagraphs:

"(H) any such relative who spends 16 hours or more during a week in employment, in a training program, or participating in a work incentive program established under section 432, shall not be required to participate in such community work and training program during such week;

"(I) any such relative shall not be required to perform such work, or to perform such work and participate in the work incentive program under section 432, for more than a total of 24 hours per week, except that, in the case where at least 8 hours per week are spent in a training program, the limit shall be a total of 32 hours per week;

"(J) any such relative shall not be required to perform such work if such relative is—

"(i) a child who is under age 18 or attending school full time;

"(ii) a person who is ill, incapacitated, or of advanced age;

"(iii) a person whose presence in the home is required because of illness or incapacity of another member of the household;

"(iv) a mother or other relative of a child under the age of six who is caring for the child; or

"(v) the mother or other female caretaker of a child, if the father or another adult male relative is in the home and not otherwise exempt from participation in the community work and training program and has not refused without good cause to participate in such program;

"(K) any such relative shall not be required to perform such work at a site which is so remote from his home that his effective participation is precluded;

"(L) any such relative shall not be required to perform such work if the amount of aid received under the plan by such relative (or the dependent child) is so small that requiring participation in the community work and training program would not be appropriate; and

"(M) any such relative shall not be required to perform such work for a period in excess of three years, and that variations in the length of participation in such program among individuals shall not be arbitrary or discriminatory."

(d) Section 409 (a) of such Act is amended—

(1) by striking out the word "and" at the end of subparagraph (A);

(2) by redesignating paragraph (6) as paragraph (7); and

(3) by inserting after paragraph (5) the following new paragraph:

"(6) provision for utilization of, and coordination with, work incentive programs established under part C, and programs established under the Comprehensive Employment and Training Act of 1973, to insure that maximum effort is made to obtain employment for such relatives performing such work; and".

(e) Section 409 (b) of such Act is amended by inserting after "supervision of work under such program" the following: ", except for the costs of direct supervision of those workers in the program who are receiving aid under this title (as determined on a pro rata basis)".

(f) Section 402 (a) (8) (A) (ii) of such Act is amended by inserting after "section 432 (b) (2) and (3)" the following: ", or section 409".

(g) Section 403 (a) (3) of such Act is amended—

(1) by striking out the word "and" at the end of subparagraph (A);

(2) by redesignating subparagraph (B) as subparagraph (C); and
(3) by inserting after subparagraph (A) the following new subparagraph:

"(B) 90 percent of so much of such expenditures as are for the administration of a community work and training program established under section 409, and".

Sec. 2. Section 204 (c) (2) of the Social Security Amendments of 1967 (Public Law 90-248) is amended by inserting immediately before the period at the end thereof the following: ", and ending prior to January 1, 1978".

EXPLANATORY STATEMENT BY SENATOR HENRY BELLMON ON S. 1888, A BILL TO AMEND TITLE IV OF THE SOCIAL SECURITY ACT TO ALLOW STATES TO PROVIDE COMMUNITY WORK AND TRAINING PROGRAMS UNDER STATE PLANS FOR AID TO NEEDY FAMILIES WITH CHILDREN

Mr. President, the Senate Finance Committee is currently holding hearings on H.R. 7200, a bill passed by the House of Representatives on June 14, 1977. This bill—known as the Public Assistance Amendments of 1977—would change several parts of the Social Security Act dealing with the Aid to Families with Dependent Children (AFDC) program, the Supplemental Security Income (SSI) program, the Title XX Social Services program, and child welfare services programs.

Mr. President, several of our colleagues who serve on the Senate Finance Committee appear to agree with me that we should do all we can to improve our current Public Assistance programs while we and the other body debate the President's Welfare Reform proposals and other possibilities for comprehensive reshaping of our public welfare systems.

I, for one, feel very strongly that we should examine and improve through amendments the AFDC, the SSI, and the Social Service and child welfare programs—just as we on the Agriculture Committee recently examined the Food Stamp program and recommended important amendments which were accepted by the Senate as part of S.275, the Omnibus Farm Bill. We should not delay needed changes while we wait for "Welfare Reform". We have only to look at the history of the Family Assistance Program debate early in this decade. After a long struggle within the Congress and between the Congress and the Nixon Administration, "Welfare Reform" went onto the back burner and the existing programs remained in force.

We owe it to those people dependent on these programs, and to the state and local people who administer them, to be continually vigilant for ways we can change the law to make these programs work better.

To this end, I am today offering a bill which would provide states with increased flexibility to develop and implement community work and training programs as part of their AFDC programs. Mr. President, my specific proposal is that we reinstate and amend Section 409 of the Social Security Act which has remained in the law, but has been suspended since the advent of the Work Incentive (WIN) program in 1968.

Mr. President, my bill would enable states to supplement efforts being made through WIN, the CETA programs, and otherwise to help employable AFDC recipients obtain job skills and work experience and thereby assist them to become supporting. In addition, my bill would permit states to utilize the time and talents of employable AFDC recipients to support the provision of needed public services.

Mr. President, I will now summarize the provisions of this bill:

1. Section 409 of the Social Security Act, Community Work and Training would be reinstated effective January 1, 1978, thereby giving states an option to incude a community work and training component in their AFDC program.

2. The following changes would be made to Section 409:

a. The community work and training activities would be conducted on a "beyond WIN" basis. This is any recipient participating in a WIN training, work experence or public service assignment would be exempt, as would those enrolled in a CETA program or actually working on a regular job for 16 hours or more a week.

b. States would be freed from prevailing wage standards, but would be required to assure that no AFDC recipient was required to work more hours

than would equate to the Federal minimum wage, given the size of the AFDC grant to the particular family.

c. A limit of 24 hours per week in assigned work plus up to 8 hours in training would be established. This would enable recipients to search for regular jobs and provide them some time for dealing with other personal needs.

d. Persons who are exempt from WIN registration requirements under current law would also be exempt from community work and training assignments.

e. A limit of three years would be established for an individual to participate in community work and training. This limitation was included in the Work Experience program operated in the mid-1960's under Title V of the Economic Opportunity Act. This will preclude states from keeping people in the program on a long-term basis, and thus will facilitate the developmental purposes of the program.

f. States which operate such programs would receive 90% Federal matching for the administrative costs involved. This would be consistent with the WIN matching rate.

g. States could make the program mandatory, or could operate it on a voluntary basis. If the state chose the mandatory approach, any AFDC recipient who refused to accept a work training assignment would be excluded in the future calculations of his/her family's AFDC grant.

Mr. President, I believe these are amendments which deserve most serious consideration by the Senate Finance Committee. There is great interest in several states in developing programs of the type I am proposing to authorize. I am appending to this explanation an article from the July 18, 1977, issue of U.S. News and World Report. This article discusses State activities and interests in the areas addressed by this bill.

Mr. President, I want no part of any program which would exploit AFDC recipients or expose them to "slave labor" conditions. I saw the Title V Work Experience Program, to which I alluded earlier, operate successfully in Oklahoma when I was Governor. The bill I offer today would authorize states to have programs quite similar to those conducted under Title V. This would provide an important added option to states for improving public welfare programs while we are waiting for welfare reform.

[From U.S. News & World Report, July 18, 1977]

LABOR: WHEN STATES TELL PEOPLE THEY MUST WORK FOR WELFARE

Utah's "workfare" program has blazed a new trail. Now many other States are testing plans aimed at the same goal; putting people on relief to work.

The idea that able-bodied people should be required to work for their welfare money is spreading rapidly across the U.S.

One such "workfare" program attracting nationwide attention is operating smoothly in Utah.

So successful is the Utah plan in moving people off relief rolls that half a dozen other States are taking a look at it as a possible model for programs of their own. Some believe it might even be useful to the Carter Administration in its search for national welfare reforms.

Besides Utah, at least 16 States have stiffened their work requirements or added new work incentives in the last two years. A number of other States and many cities have some kind of program aimed at putting relief recipients to work. And the Federal Government's Work Incentive Program—known as WIN—is steadily stepping up its pace iin finding jobs for welfare recipients.

ON THE JOB, ON THE DOLE

The Utah plan is unique in several respects. It is sterner and goes further than most other programs. It is mandatory. And it doesn't just train people for future jobs. It actually puts them to work while they are still drawing welfare payments.

In most places, such work requirements apply only to people on programs financed by State or local funds, such as "general assistance" or "direct relief."

Utah's plan applies to those who receive Aid to Families with Dependent Children (AFDC), a huge, nationwide program that draws heavily upon federal funds. Utah officials say theirs was the first work requirement approved

by the Department of Health, Education and Welfare for application to AFDC.

"Utah is the first State where people earn their welfare grants," claims the program's co-ordinator, Usher T. West.

Officially, Utah's method is called a work-experience and training program. But its training is not the usual type done in classrooms. Trainees learn to work by actually working. If private employment cannot be found for them, they are put to work for public agencies, doing jobs that are needed by State or local governments. They serve as teachers' aides in their neighborhood schools or plant trees in public parks, for example. They work three days a week but remain on the welfare rolls until they find regular jobs.

Only ill, aged or disabled persons or mothers with children under 6 years of age are exempted. All others are told to take one of the jobs offered to them or lose all or at least a part of their welfare payments.

Those who participate in the program are helped by the State to find jobs in private industry. Many are doing so.

In one six-month period, from July through December of last year, 782 people were assigned to the work program. Of that total, 311 were removed because they did not perform as required. But 11 people were hired by the sponsors who gave them their training jobs, and 218 found other kinds of employment. In addition, 109 mothers found enough work to reduce the amount of welfare funds needed to support their families.

"FEELING GREAT"

A 32-year-old mother of two children was hired recently as a full-time office worker in Salt Lake City's assistance-payments administration, the same office that handed her welfare checks for 13 years before she took job training for two years. During the instruction period, she says, "even though I was getting welfare I felt I was working for it." And now, she adds, "With my new job I am barely making ends meet. But I feel great because I am making it on my own."

Utah officials point out that communities as well as individuals benefit from the program. Some agencies, such as private nonprofit organizations that are constantly short of funds, report that the services of welfare recruits have been invaluable.

One self-help agency in Salt Lake City, for instance, had the funds to buy insulation for the home of elderly poor people, but lacked money to hire workers to install it. Welfare trainees have been assigned to the job. Another self-help group put trainees to work repairing the homes of elderly Salt Lake City residents.

A QUESTION OF LEGALITY

Some critics charge that Utah's job-training effort is nothing more than a thinly disguised public-works program that uses underpaid welfare recipients in place of regular employees.

Legal-services lawyer Lucy Billings says she is considering filing a court suit against the program on the ground that it violates federal regulations that people cannot be required to work for their welfare payments.

It took Utah three years to get its program approved by the U.S. Department of Health, Education and Welfare. For 18 months, HEW withheld federal contributions to Utah's program for Aid to Families with Dependent Children. It cost the State almost a million dollars to make the AFDC payments entirely from State funds. But many Utah people feel that is was well worth the cost.

Utah officials concede that their program might not work so well in other parts of the country, especially in big cities where population is denser and welfare rolls are much larger. Of Utah's nearly 1.2 million residents, only 39,000 are getting money grants of aid. Also, it is suggested, labor unions in more-industrialized States might oppose welfare people being given jobs that might be sought by union members.

But in the view of Robert W. Hatch, a field director for the Utah assistance-payments administration, public acceptance of the idea that welfare recipients should work for their money is spreading throughout the nation. Says Hatch: "I think that in time, putting welfare clients to work will become a common practice."

In fact, a trend in that direction is already apparent.

Oklahoma has a 2-year-old work-experience program that was passed by the legislature at the urging of Governor David Boren. It requires that anyone 18 or older in a family receiving Aid to Families with Dependent Children must visit the local employment office and sign up for a job that's available.

In 1975, there were 2,300 persons participating in the Oklahoma program. Many worked in State institutions, hospitals or in county offices for $5 a day to offset expenses, plus their regular AFDC checks.

"They are usually placed in jobs where they can easily be trained and hopefully be picked up by the business community," says a State spokesman. Last year, more than 700 persons were placed in permanent positions outside the government.

THE RISK OF REJECTING WORK

The Texas legislature recently passed legislation to supplement the Federal Government's Work Incentive Program. Welfare recipients must register for work, and if they reject a job without a good reason, their benefits may be cut off after an administrative review.

North Carolina's legislature this year passed a law requiring welfare recipients to register for work.

As the law's sponsor, State Senator E. Lawrence Davis of Winston-Salem, explains it: A family head who fails to register is taken off the rolls. But aid to his or her children will continue as "protective payments" made through some other person or perhaps an agency, such as a church. Since the law did not take effect until July 1, it's too soon to tell how effective it will be.

A PART-TIME WORK FORCE

In the State of New York, all employable persons receiving general welfare-assistance payments have, since May 1, been required to work three days a week in a local-government agency if jobs are available.

There are aboue 60,000 such persons, and State Social Services Commissioner Philip Toia says: "We're hoping to develop jobs within local-government agencies for at least 30,000 of those employables within the next three months. We're hoping that, when faced with working three days a week, many will go out and get a full-time job."

One problem is that four fifths of the employable covered by the program are in New York City, where in the last two years thousands of public employes have been laid off in the city's effort to cope with a financial crisis. "I anticipate some complaints from the municipal workers' unions," says Assistant Welfare Commissioner Irwin Brooks. However, according to a *New York Daily News* poll published May 23, about 87 per cent of residents in the New York metropolitan area approve of the new workfare program.

Work-for-welfare bills similar to New York's are pending in several States, including Connecticut and New Jersey.

Massachusetts is one of the States studying the Utah plan of mandatory work for heads of AFDC families. Since 1975, Massachusetts has barred all employable persons from direct relief or general-assistance rolls. The State of Rhode Island followed suit last September, cutting its relief case load by more than 20 per cent.

MILLION-DOLLAR SAVINGS

Bridgeport, Conn., started last year a plan requiring employable people receiving welfare to work one or two days a week, depending on the amount of their aid. About 300 persons out of a case load of 1,330 are now working. If they fail to work for a period of two weeks, their benefits are automatically terminated.

Result: Bridgeport's case load has been cut 45 per cent in a year's time, with a million-dollar reduction in the city's welfare budget.

Milwaukee County, Wis., has a locally run pay-for-work program requiring all able-bodied welfare applicants to take specially created jobs in municipal or county departments. They are paid $2 an hour for a 32-hour workweek.

One experiment being watched closely is a "supported work" program run by the Manpower Demonstration Research Corporation, a nonprofit, tax-exempt

organization set up with the support of the Ford Foundation and five Federal Government agencies—principally the Department of Labor.

It has 15 projects in 13 States that provide jobs, mostly with public or nonprofit agencies, for more than 2,000 marginally employable people, including AFDC mothers. Instead of welfare checks, they get paychecks at minimum-wage rates.

A mixture of welfare funds and grants is used to finance the program. The workers will be helped to find permanent jobs in private industry once they have developed the necessary skills.

Many towns and some States have found that the administration of work-for-aid programs is too costly to justify the small numbers put to work. But the search for practicable systems goes on—and widens.

In the words of Fritz Kramer, a manpower specialist with the Labor Department. "A number of States are exploring ways to provide jobs in either the public or the private sector to get people off the welfare rolls."

[S. 1891, 95th Cong., 1st Sess.]

A BILL To amend title IV of the Social Security Act to require that dependent children of unemployed fathers be eligible for assistance under the Aid to Families with Dependent Children program, and to provide 100 percent Federal funding for such aid

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 402 (a) of the Social Security Act is amended—

(1) by striking out the word "and" at the end of paragraph (27);

(2) by striking out the period at the end of paragraph (28) and inserting in lieu thereof a semicolon and the word "and"; and

(3) by adding at the end thereof the following new paragraph:

"(29) provide that payment shall be made for aid to dependent children of unemployed fathers as required by section 407 (except that such payment shall be at the option of the State in the case of Puerto Rico, the Virgin Islands and Guam).".

(b) Section 407 (b) of the Social Security Act is amended—

(1) by striking out all that precedes subparagraph (A) of paragraph (1) and inserting in lieu thereof the following:

"(b) In order to meet the requirement of section 402 (a) (29), a State plan for aid and services to needy families with children must—

"(1) require the payment of aid to families with dependent children with respect to a dependent child as defined in subsection (a) when—"; and

(2) by striking out "provides—" in paragraph (2) and inserting in lieu thereof "provide—".

(c) (1) Section 403 (a) (1) of the Social Security Act is amended by inserting after "the cost thereof" in the parenthetical phrase preceding subparagraph (A) the following: ", but excluding expenditures for aid to dependent children of unemployed fathers under section 407".

(2) Section 403 (a) of such Act is amended by inserting after paragraph (3) the following new paragraph:

"(4) in the case of any State, other than Puerto Rico, the Virgin Islands and Guam, an amount equal to 100 percent of the total amount expended under the State plan during such quarter as aid to dependent children of unemployed fathers under section 407; and".

Sec. 2. The amendments made by the first section of this Act shall be effective with respect to payments made under title IV of the Social Security Act for calendar quarters beginning on or after October 1, 1978.

EXPLANATORY STATEMENT BY SENATOR HENRY BELLMON ON S. 1891, A BILL TO AMEND TITLE IV OF THE SOCIAL SECURITY ACT TO REQUIRE THAT DEPENDENT CHILDREN OF UNEMPLOYED FATHERS BE ELIGIBLE FOR ASSISTANCE UNDER THE AID TO FAMILIES WITH DEPENDENT CHILDREN PROGRAM, AND TO PROVIDE 100 PERCENT FEDERAL FUNDING FOR SUCH AID.

Mr. President, the question of "Welfare Reform" will soon be one of the major issues before Congress. The President has said he will send to the Congress in early August, a comprehensive proposal for restructuring public

assistance programs. Each day's newspapers carry new rumors about the content of the Administration's proposal. I look forward to the President's proposals.

There are many problems in our present programs. I am pleased that we are probably going to reform the Food Stamp program this year. I believe the changes the Senate has adopted as part of the Omnibus Farm Bill (S.275), will help that program to respond more sensitively to the needs of low-income families, while improving the administrative aspects of the program and helping assure that fraud and error are minimized.

Mr. President, I hope no one expects a comprehensive reshaping of the whole array of public assistance programs to come quickly or easily. The President and his Secretary of HEW have found that preparing a "Welfare Reform" proposal is considerably more difficult than the President assumed when he was making promises during last year's campaign. The Congress, which must mold a majority position out of the combined perspectives of 535 members, is likely to have an even more difficult and time-consuming effort than is the Administration in reaching a final position on "Welfare Reform".

While we are studying and debating the President's proposals and other ideas for major re-design of public assistance programs, we ought to do all we can to improve our present programs. Our colleagues on the Senate Finance Committee recognize this need and they are currently holding hearings on a number of proposed Public Assistance amendments. Some of these amendments have already been endorsed by the House; others are being addressed by the Finance Committee although they are not included in the House-passed bill (H.R. 7200, passed by the House of Representatives on June 14, 1977).

Mr. President, I hope the bill I now offer will receive early and positive consideration by the Finance Committee and then by this Body. This bill would respond to one of the most telling criticisms of the Aid to Families with Dependent Children (AFDC) program. I refer to the charge that the program is anti-family in that, in nearly half the states, a family cannot qualify for assistance if it includes an employable male. This means that those men who have no other means of supporting their families may have no choice other than to desert their families so that the family can qualify for AFDC.

Mr. President, this is not the kind of public policy we should have in the United States of America. I am aware of some of the concerns that led to this provision in our current law. But experience with the Unemployed Fathers portion of AFDC in the 26 states (and the District of Columbia) which have the program has shown that it remains a small, but important component of the overall AFDC program. Currently, there are only about 150,000 families nationally in the Unemployed Fathers Programs out of about 3½ million families receiving AFDC.

Estimates my staff have received informally from HEW indicate it would cost the Federal Government about $160 million per year to pick up the full cost of the AFDC—Unemployed Fathers (AFDC-UF) Program in those states which do not now have it. It would obviously be unfair for the Federal Government to pay the full cost of the program only in those 24 states. Therefore, this bill provides that 100% of the costs of benefits to AFDC-UF families in the 50 states and the District of Columbia be assumed by the Federal Government, effective in Fiscal Year 1979.

Mr. President, this proposal would provide about $300 million in fiscal relief to those 26 states (plus D.C.) which already have the AFDC-UF Fathers Program. And, it would correct a major deficiency in the AFDC program in the other 24 states. I believe the total cost of this bill—about $460 million—is justified by the significant movement it would bring toward a better public welfare system in this nation, and by the fiscal relief it would provide to some of our states which are experiencing the most strain from the welfare costs they must pay.

I am appending to this statement a preliminary table obtained from HEW. This table shows the estimated benefits of this bill by state. The first column of figures are the total estimated Federal costs per year after adoption of the changes I propose. The second column of figures shows the cost of the AFDC-UF program in those states which are now operating it.

NET COSTS TO FEDERAL GOVERNMENT AND SAVINGS TO STATES FROM MANDATING AND FEDERALIZING THE AFDC-UF PROGRAM (1978)

	AFDC-UF dollars [1] additional 1978 net Federal costs of mandating and federalizing UF	AFDC-UF dollars [2] State savings 1978 from mandating and federalizing UF
Alabama	4,696,646	
Alaska	1,831,584	
Arizona	6,205,279	
Arkansas	2,785,558	
California	89,543,196	89,543,196
Colorado	2,512,908	2,512,908
Connecticut	2,452,752	2,452,752
Delaware	430,872	430,872
District of Columbia	544,140	544,140
Florida	20,704,854	
Georgia	5,735,945	
Hawaii	1,219,356	1,219,356
Idaho	2,327,121	
Illinois	20,194,968	20,194,968
Indiana	11,010,435	
Iowa	2,032,104	2,032,104
Kansas	932,712	932,712
Kentucky	6,213,660	6,213,660
Louisiana	4,823,156	
Maine	3,785,526	
Maryland	3,043,548	3,043,548
Massachusetts	12,975,444	12,975,444
Michigan	43,852,788	43,852,788
Minnesota	3,093,756	3,093,756
Mississippi	908,167	
Missouri	275,616	275,616
Montana	189,888	189,888
Nebraska	85,308	85,308
Nevada	1,846,170	
New Hampshire	2,402,947	
New Jersey	44,265,312	
New Mexico	2,528,538	
New York	27,899,964	27,899,964
North Carolina	8,735,607	
North Dakota	755,441	
Ohio	32,440,776	32,440,776
Oklahoma	6,134,364	
Oregon	8,765,844	8,765,844
Pennsylvania	15,206,376	15,206,376
Rhode Island	894,624	894,624
South Carolina	2,508,165	
South Dakota	872,309	
Tennessee	4,734,204	
Texas	11,320,414	
Utah	1,310,328	1,310,328
Vermont	1,799,076	1,799,076
Virginia	10,939,847	
Washington	8,529,204	8,529,204
West Virginia	686,424	686,424
Wisconsin	8,895,648	8,895,648
Wyoming	828,218	
Total	458,707,087	296,021,280

[1] Includes total estimated cost of UF for 1978 in States without UF plus State share in States with UF.
[2] State share of UF in those States that have the program.

Senator MOYNIHAN. Miss Dee Everitt is here, I believe. Miss Everitt, would you come forward. May we welcome you to this committee. I know a special welcome comes from Senator Curtis, a fellow Nebraskan.

Miss Everitt, you represent the National Association for Retarded Citizens, and I am wondering, in view of the fact that you have the attention of three members of this committee, would you not want to summarize your paper.

STATEMENT OF DEE EVERITT, NATIONAL ASSOCIATION FOR RETARDED CITIZENS

Ms. EVERITT. I would like to emphasize that I am a member of the governmental affairs committee and the mother of a 25-year-old retarded daughter.

Mr. Chairman, members of the Subcommittee on Public Assistance, I am pleased to have this opportunity to testify before you on behalf of the National Association for Retarded Citizens. I ask permission to have my formal statement incorporated in the record.

We are very pleased to note that many of the supplemental security income amendments passed last year by the House in H.R. 8911 are incorporated in H.R. 7200.

There is one SSI issue not included in the House measure, however, which we strongly urge you to address.

Under current Social Security Administration policy, income received by persons employed in sheltered workshops is treated as unearned—rather than earned—income if the individual is participating in an active rehabilitation program. According to SSA, the grounds for this distinction is that an employer-employee relationship cannot exist if the workshop is also providing rehabilitative services.

Under current SSI law, the first $20 of unearned income is disregarded in determining eligibility and benefit levels. Each dollar of unearned income beyond the initial $20 disregard reduces the SSI benefit level dollar-for-dollar. Earned income, by contrast, has an initial disregard level of $65. The benefit reduction rate for earned income beyond the initial $65 disregard is 50 percent. The purpose of these different treatments of earned and unearned income is to provide work incentives under the SSI program.

The Fair Labor Standards Act has for many years regulated wages of sheltered workshop employees. The FLSA does not distinguish between workers receiving active rehabilitation and those in long-term placement in the sheltered workshop for purposes of determining whether an employer-employee relationship exists.

The SSA estimates that 17,000 persons in sheltered workshops receive SSI payments. It has no estimate of many of these persons are enrolled in active rehabilitation programs or how many of this latter group have, upon redetermination, had their SSI benefits reduced as a result of this policy.

It would appear, however, that the number of affected persons is quite small. For these people, however, the imposition of SSA's policy creates a severe, and in our view, unwarranted hardship.

We believe that it is illogical and inequitable to treat wages paid to workers in sheltered workshops as unearned income simply because the worker is enrolled in a rehabilitation program. In addition, SSA's policy robs these workers of an important work incentive available to other SSI recipients.

H.R. 7200 contains no provision affecting this issue, since at the time of the House's consideration of the measure, SSA was exploring

the feasibility of dealing with this issue administratively. It has since concluded that statutory change is necessary to make any change in administrative policy.

Last week, Representative Corman, chairman of the House Public Assistance Subcommittee, and Representatives Keys and Brodhead, members of that subcommittee, introduced legislation—H.R. 8316—to deal with this issue. Their bill provides that income paid to workers in sheltered workshops and work activity centers is to be treated as earned, rather than unearned income, under the SSI program. We strongly urge you to incorporate the provisions of this House bill in H.R. 7200.

NARC supports the increase of title IV–B funding from the current level of $56.5 million to the fully authorized level of $266 million.

Senator MOYNIHAN. Is it your view that IV–B should be kept as a separate category against those who propose that it be made a part of title XX?

Ms. EVERITT. Yes, sir, I think it should be separate.

Senator MOYNIHAN. You think it should be separate?

Ms. EVERITT. Yes, sir.

We also support the conversion of the present funding structure for title IV–B to that of an entitlement program.

Currently too many children, many of them with special needs, are removed from their homes unnecessarily, placed in inappropriate facilities, frequently at great distances from their homes, and left to linger there indefinitely. The foster care protections in H.R. 7200 are essential if this pattern is to change. Parents of a handicapped child are often forced to place a child in foster care, because alternative services are not available—there is no day care program to give the parent relief during the day, no homemaker to care for the child when the mother has to be hospitalized. Handicapped children are frequently institutionalized when less restrictive settings would have been more appropriate. H.R. 7200 would address this problem. These protections would insure that such children can be returned home, or where return to home is not possible, can be adopted or placed in appropriate permanent settings.

We would like to see the program of adoption subsidies for handicapped and other hard-to-place children established by the House under title IV–A expanded.

The House-passed bill limits children eligible for adoption subsidies to those who have been in aid-to-families-with-dependent-children foster care for at least 6 months. We believe this language is unduly restrictive and will exclude many severely handicapped low-income children from the benefits of the program.

Since the SSI means test is somewhat higher than AFDC income limits in some States, certain low-income disabled SSI children will not be eligible for adoption subsidies under the House-passed measure. Yet surely these are the very hard-to-place children for whom the program should be designed.

It must also be remembered that many low-income disabled children, legally free for adoption, have been placed in State mental retardation institutions, rather than in foster family placement.

We therefore strongly urge the subcommittee to extend eligibility for subsidies to all SSI-eligible children in foster care or institutional placement who are legally available for adoption.

We are also greatly concerned with the administration's proposal to income-test adoptive families. It is absolutely vital that any income test be set high enough not to discourage middle-income families from adopting these hard-to-place children.

Thank you for the opportunity to share the views of our association with you.

Senator MOYNIHAN. Thank you for being so concise and clear.

Senator Curtis?

Senator CURTIS. Thank you, Mr. Chairman.

You have made a real contribution here. I am sure it is true when someone lives very close to a problem they are in a position to judge the results. Their opinion as to what is effective, what is not effective, what is wasteful, I think you can judge it much better than those who view it in the abstract. You have made a real contribution here.

Since I have had the pleasure to confer with you in my office, I have had an opportunity to look into this matter of earned income status of wages earned. I want you to know that I support your position.

I believe that what is embodied should be in H.R. 7200. In our overall expenditures for relief, it is not a big item, but I am not accepting it because it is not a big item but because it is right. These people who work in a sheltered workplace actually report for work and perform duties. I think both Webster and I would agree that that is wages, that is earned income, and it should be regarded as such. Because someone may have the privilege of going to a sheltered workshop, if they do not go there to perform the duties, they do not get the money.

It is something paid for return.

Furthermore, while we may have problems as we go along as to how we treat earned income, how much and so on, certainly the handicapped who work in a sheltered workshop should have the same consideration on the disregard of earned income as other recipients.

Ms. EVERITT. I agree.

Senator CURTIS. I commend you for these efforts, and I expect to support them.

One question on the adoption. I have been rather close to the adoption business for at least four decades. Prospective adoptive parents are screened very carefully. An effort is made to place them in a home.

Are there any particular steps that you recommend to continue that practice, to see that the child is in a good home, that are needed to be taken if we go into a program of adoption subsidies?

Ms. EVERITT. I think so. Many children that I know personally have lived in foster homes for many years, handicapped children where the families would like to adopt them. They have been in the situation, however, it is very difficult to get subsidized adoptions for handicapped persons. so many of them could take advantage and be adopted by the families who have had them for many years.

Speaking from my own State, every handicapped child has a social service worker who does the screening before they are placed in a foster home, and certainly would do the same in an adoptive situation.

Senator CURTIS. In other words, at the present time, in most adoptions a sincere effort is made to see that it is a home that will extend good care, that the people are physically and mentally equipped to be parents and that they are of good character, and so on.

Of course, the most important factor is if they are motivated by the love and real concern for the child.

At the present time, without such, there is usually a financial requirement. You have to show competence to not only support the child, but if the child comes from a background of college-trained parents, the authorities usually look to see, are these adoptive parents, are they apt to be able to provide a college education, or whatever special requirements that they need.

It would change it in that regard, but you feel that that change would be made without letting up on the other safeguards taken to see that an adopted child gets a good home.

Ms. EVERITT. Any person who wishes to adopt a handicapped child has to be a special person to begin with to want to do this. Most handicapped children have very special needs, need a great deal of supportive services, transportation, and therapy and these kinds of things, which is very difficult for any family to meet.

Senator CURTIS. I think that you have made an excellent point there. Some decades ago, the reverse was true. Adoptive parents looked for a child with his background, as nearly as they could find, healthy, normal, of physical ability, and so on. I agree with you.

I do feel that in spite of all of that, we have to guard against having a subsidy at a point where there would be adoptive parents who would use this as a business proposition, a means of making so much money, and getting the money to run their own houses.

Ms. EVERITT. Most subsidies would be for supportive services, special services, that would be rather hard not to avail yourself of if you had a handicapped child. You would need them.

Senator CURTIS. Thank you very much for your splendid testimony.

Senator MOYNIHAN. Senator Danforth?

Senator DANFORTH. I have no questions.

Senator MOYNIHAN. We thank you. I do want to extend the list of things I did not know until these hearings. It is very long. I certainly did not know about the sheltered workshop provision. It distresses me. Thank you for that. You have made a real contribution. We hope that when you see the legislation, you will say your actions have been useful.

[The prepared statement of Ms. Everitt follows. Oral testimony continues on p. 448.]

PREPARED STATEMENT OF THE NATIONAL ASSOCIATION FOR RETARDED CITIZENS, BY MRS. DEE EVERITT, MEMBERS, NARC GOVERNMENTAL AFFAIRS COMMITTEE

SUMMARY

Title XX

1. The National Association for Retarded Citizens supports a permanent increase in the Title XX ceiling to $2.7 billion. We urge, in addition, that an annual cost-of-living adjustment factor be built into the Title XX funding structure.

2. NARC opposes any earmarking of Title XX funds for day care or related services.

Supplemental security income

1. We support those SSI provisions in H.R. 7200 which eliminate deeming for students, expand the availability of presumptive eligibility payments, provide for cost-of-living increases in SSI payments to persons in medical institutions, permit full payments to such persons for the first three months of institutional residence, and disregard income provided by charitable organizations.

2. We strongly urge the Subcommittee to reverse current Social Security Administration policy by adding language to H.R. 7200 providing that income paid to workers in sheltered workshops and work activity centers be treated as earned, rather than unearned, income, in order to restore important work incentives for this group of severely disabled SSI recipients.

Child welfare services

1. NARC supports funding child welfare services at the level of $266 million and conversion of the program to an entitlement.

2. The current foster care system has failed to provide adequate services to mentally retarded children in foster care and has failed to provide adequate preventive services to families with disabled children at risk of out-of-home placement.

3. A properly designed foster care system could provide a desperately needed alternative to institutional care for mentally retarded children whose families are unwilling or unable to care for them at home.

4. The current definition of child welfare services under Title IV-B should be amended to more explicitly address the needs of disabled children.

5. The principle that qualified foster parents should be paid to deliver specialized services which must be provided to disabled children in the home setting, already established under Title XX, should be extended to Title IV-B.

Adoption subsidies

1. The adoption subsidy program established under H.R. 7200, while an important step in the right direction, should be expanded. At a mimimum, all SSI eligible children in foster care *or* in institutions who are legally free for adoption should be eligible for adoption subsidies.

STATEMENT

Mr. Chairman, Members of the Subcommittee on Public Assistance, I am pleased to have this opportunity to testify before you on behalf of the National Association for Retarded Citizens on H.R. 7200, the Public Assistance Amendments of 1977.

I. *Title XX*

NARC is pleased that H.R. 7200 as passed by the House continues funding for the Title XX program in fiscal year 1978 at the level of $2.7 billion. We are also pleased that this additional $200 million added in fiscal year 1977 and recommended for fiscal year 1978 will become a permanent increase to the existing ceiling on Federal social services expenditures. We urge, in addition, that a built-in-cost-of-living escalator be added to the Title XX funding structure. States, social service providers and recipients need to know that inflation will not be allowed to diminish social services programs in the future.

We also strongly recommend that this $200 million not be earmarked in any way for day care (or any other service). It must be stressed that the Title XX program is designed to meet the needs of a broad diversity of deserving persons and groups, no one of whom should be singled out at the Federal level for preferential treatment.

II. *Supplemental security income*

We are pleased to note that many of the SSI amendments passed last year by the House in H.R. 8911 are incorporated in H.R. 7200. Last year we worked vigorously for the passage of these amendments. This year they again have our whole-harted support.

In particular, we favor:

1. Lowering the age of majority from 21 to 18 for all disabled recipients;
2. Increasing the availability and benefit levels of cash payments to presumptively eligible persons;
3. Permitting an individual in a medical institution to retain his full benefit levels for the first three months of institutional residence;
4. Excluding income provided by charitable organizations to individuals living outside of institutions; and
5. Authorizing an annual cost-of-living increase for persons in medical institutions.

There is one SSI issue not included in the House measure, however, which we strongly urge you to address.

Under current Social Security Administration policy, income received by persons employed in sheltered workshops is treated as unearned-rather than earned-income if the individual is participating in an active rehabilitation program. According to SSA, the grounds for this distinction is that an employer-employee relationship cannot exist if the workshop is also providing rehabilitative services.

Under current SSI law, the first $20 of unearned income is disregarded in determining eligibility and benefit levels. Each dollar of unearned income beyond the initial $20 disregard deduces the SSI benefit level dollar-for-dollar. Earned income, by contrast, has an initial disregard level of $65. The benefit reduction rate for earned income beyond the initial $65 disregard is 50%. The purpose of these different treatments of earned and unearned income is to provide work incentives under the SSI program.

The Fair Labor Standards Act has for many years regulated wages of sheltered workshop employees. The FLSA does not distinguish between workers receiving active rehabilitation and those in long-term placement in the sheltered workshop for purposes of determining whether an employer-employee relationship exists.

Although the SSA contends that its current policy regarding the treatment of income in sheltered workshops is a long-standing one, it was never consistently or broadly enforced until May, 1976, when SSA issued specific instructions to its local offices to treat such income as unearned. Thus, many sheltered workshop employees already receiving SSI benefits, upon redetermination of their eligibility, find their benefits drastically reduced, even though their work and earnings status have not changed.

The SSA estimates that 17,000 persons in sheltered workshops receive SSI payments. It has no estimate of how many of these persons are enrolled in active rehabilitation programs or how many of this latter groups have, upon redetermination, had their SSI benefits reduced as a result of this policy.

It would appear, however, that the number of affected persons is quite small, less than 5,000. For these people, however, the imposition of SSA's policy creates a severe, and in our view, unwarranted hardship.

We believe that it is illogical and inconsistent with the Fair Labor Standards Act, and grossly inequitable to treat wages paid to workers in sheltered workshops as unearned income simply because the worker is enrolled in a rehabilitation program. In addition, SSA's policy robs these workers of an important work incentive available to other SSI recipients.

H.R. 7200 contains no provision affecting this issue, since at the time of the House's consideration of the measure, SSA was exploring the feasibility of dealing with this issue administratively. It has since concluded that statutory change is necessary to make any change in administrative policy.

Last week, Representative Corman, Chairman of the House Public Assistance Subcommittee and Representative Keys, a Member of that Subcommittee, introduced legislation to deal with this issue. Their bill provides that income paid to workers in sheltered workshops and work activity centers is to be treated as earned, rather than unearned income, under the SSI program. We strongly urge you to incorporate the provisions of this House bill in H.R. 7200.

III. *Child welfare services*

NARC supports the increase of Title IV-B funding from the current level of $56.5 million to the fully authorized level of $266 million. We also support the conversion of the present funding structure for Title IV-B to that of an entitlement program.

Inadequacy of foster care system for handicapped children

The social and economic pressures which disrupt and sometimes destroy families are often compounded by the presence of a handicapped child. That families of such children are often unable or unwilling any longer to cope is manifest by the continuing demand for institutional care for young disabled children.

Many, if not most, of these institutional placements could be avoided if ongoing supportive services were available to families to supplement their abilities to care for their disabled child at home—and if carefully recruited and trained foster parents were available to substitute their nurturin for that of the incapacitated natural family. The proposed expansion in Federal funding for the Child Welfare Services program, *if* it is accompanied by a restructuring and re-direction of Title IV-B, will make it possible to begin to address these needs on a more systematic basis than is currently the case.

To a large extent, the current foster care system has failed the retarded child. Foster care parents of retarded children are often untrained, unable to recognize or begin to meet their special needs. Such children too often do not receive the educational, rehabilitative, health and social services which they require if they are to mature to an independent and productive adulthood. For these children, foster care is a dead-end, leading only to continuing dependency.

But for most mentally retarded children, the failure of the foster care system is of a far more fundamental nature, a failure to make foster care available to retarded children in the first place. When an average family is damaged or broken by illness, marital crisis, or an abusing or neglectful parent, the children of that family are placed with a foster family. But for mentally retarded children whose families are unable to care for them—and particularly for those mentally retarded children who are most severely disabled—foster family care is an option rarely considered. Instead, the severely retarded child is almost routinely referred to a State institution for the mentally retarded.

Institutions should be the last, not the first, resort. We all know that the institutions are over-crowded and often shamefully inadequate. They are no place for a child to grow up. Yet there are pitifully few alternatives.

A properly designed foster care system could begin to fill this gap. Indeed, foster family placement is probably the sinble most appropriate alternative to institutional care for most young disabled children. A number of States have begun to move in this direction. It requires careful recruitment and specialized training of foster parents, so that they are equipped to provide their foster children with the special services they need beyond room, board, supervision and care.

It is our view that the current Title IV-B program ignores ,to a large degree, the needs of severely disabled children, in both their natural homes and in foster family settings. NARC believes that the following provisions must be added in any expanded Title IV-B program, if it is to become an effective resource for disabled children.

A. Definition of child welfare services

First, language explicitly addressed to disabled children and their families must be added to the current statutory definition of Child Welfare services.

The House definition specifically mentions handicapped children in addition to homeless, dependent and neglected children in need of child welfare services, thereby making explicit for the first time that handicapped children are among those children whose welfare Title IV-B is designed to promote.

We believe that the House's revision of the definition of child welfare services, while an important step in the right direction, does not go far enough. We are therefore recommending that additional language, similar to the statement of goals in Title XX, be added stating that Child Welfare Services include services directed toward: "Preserving, promoting and strengthening the ability of families to care for their handicapped child at home; and preventing or reducing inappropriate institutional care by securing, training and monitoring foster family care for handicapped children and by providing services to handicapped children in foster family placements."

It is our experience that Federal human services programs are often not made available to mentally retarded and other disabled citizens unless the authorizing statute explicity includes them.

B. Purchase-of-service

Secondly, the statute must make clear that such services can be provided by the state agency which administers the Title IV-B program, or, through a purchase-of-service contract, between that agency and another state agency which delivers services to such children (such as the State Mental Retardation Agency) or with a private provider of service.

It must be emphasized that state service delivery systems for children are complex, involving multiple state agencies. The State Department of Mental Retardation, the State Education agency, the Health Department and more all have a role. This is particularly the case with disabled childern. But even these other State agencies do not have adequate resources to provide directly a full spectrum of services. State agencies have for many years depended on the private sector to provide needed services. Not to make these other public and private agencies available to provide services to children in foster care—or at risk of foster care—is to virtually assure that retarded children will be served inadequately and inappropriately—if they are served at all—under the Title IV-B program.

It is, therefore, vital that the statute expressly authorize purchase-of-service contracts with other public agencies and with other public agencies and private providers.

C. Eligibility

The ability of States to use Title IV-B funds for all children receiving or at risk of foster care or institutionalization, without regard to family income, should be retained.

The crises which render families unable to care for their children strike families of all incomes. In the case of families struggling to raise a severely handicapped child, the services the family needs, to prevent out-of-home placement are aften simply not available for purchase from the private market. To ignore the needs of those families and their children until it is too late, until the child is put up for institutional care, is uncaring and counter-productive.

D. Payments to foster parents for services

I said earlier that foster parents of severely disabled children must be specially trained to provide services to their foster children above and beyond the room, board, care and supervision wich constitute basic foster care. For example, a severely retarded, nonambulatory child receiving intensive physical therapy during the day will need to have prescribed daily exercise sessions continued at home under the supervision of the foster parent. A mentally retarded child with behavioral problems which are the subject of an intensive behavioral modification program during the child's school hours must have that program reinforced at home, if it is to be effective. This requires a trained foster parent, able to provide prescribed, specialized services.

We believe that both the training of foster parents and the delivery of such in-home services by foster parents should be reimbursable under Title IV-B, through a purchase-of-service contract, reviewed periodically, between the Title IV-B State agency and the foster care parents. The principle that qualified foster parents should be paid to deliver specialized services which must be provided to disabled children in the home setting has already been established by Title XX and should now be extended to Title IV-B.

In the Report of the Committee on Ways and Means which accompanies H.R. 7200, the following language appears:

"State development of less restrictive placements should take into account that special needs of mentally and physically handicapped children and emotionally disturbed children can often be met in foster family homes if the foster parents are capable by virtue of special training or experience of providing the needed services. Title IV-B funds, under the same limitations and restrictions as in Title XX law and regulations, can be used to train and compensate foster parents for those special services which they provide beyond room, board, care and supervision which constitute basic foster care. In providing special needs services, the child welfare agency may need to develop appropriate agreements and arrangements with other agencies that have specific professional expertise serving such children for the development of the case plan, training of foster care providers, and providing or supervising the provisions of special services."

We urge you to go one step further. The statute itself should include language making clear that both the training of foster parents and the delivery of such in-home services by foster parents are reimbursable under the Title IV-B, through a purchase-of-service contract, reviewed periodically, between the Title IV-B state agency and the foster care parents.

E. Inter-agency relationships

H.R. 7200 would establish extensive requirements in the development of individualized care plans for foster children, and periodic review of the appropriateness of the foster care placement. In both of these instances, in our view, it is vital that other State agencies which deliver services to the target population be involved, particularly in the case of disabled children. To cite just one example of why this involvement is so vital, consider the fact that Federal law currently mandates individualized care plans for disabled children served under the Education for All Handicapped Children Act, the Developmental Disabilities Act, the Vocational Rehabilitation Act, and the Child Referral provisions of the SSI program. One child may very easily be receiving services under two or even three of these programs. It is vital that they be coordinated.

We, therefore, recommend that the State plan be required to identify other interested agencies and specify appropriate mechanisms to assure that inter-agency cooperative efforts are undertaken.

F. Limitations

In order to assure that the dramatic expansion of Title IV-B funding recommended by the House serves to expand services, rather than re-finance currently state-supported activities, a number of statutory limitations are required.

First, there must be a prohibition against using any new Title IV-B funds to pay for basic foster care maintenance—room, board, clothing, etc. Further, States now using only a portion of their Title IV-B allotment for maintenance payments should be prohibited rfom increasing those payments.

Second, there must be a carefully drawn requirement that States maintain their level of fiscal effort for child welfare services at a level at least equal to the States' expenditures for such services in fiscal year 1977, adjusted annually by a cost-of-living factor.

Medical or remedial care, unless it is an integral but subordinate part of a child welfare service, should not be eligible for Title IV-B support.

Room and board, except for emergency shelter or respite care, should be excluded from payment under Title IV-B.

Finally, payment for educational services which the public schools are obligated to provide under State or Federal law to all children should be prohibited under Title IV-B.

G. Adoption subsidies

We would like to see the program of adoption subsidies for handicapped and other hard-to-place children established by the House under Title IV-A expanded. There are a significant number of children who are needlessly institutionalized or who continue to reside in foster care settings who are technically available for adoption but who are difficult to place because of a handicapping condition, behavioral problem, age, etc. State agencies should have the abiltiy, supported by Federal funds, to move such children into adoptive homes by providing prospective adoptive parents with the assurance that an adoption subsidy will be available to assist them in meeting the additional expenses of these hard-to-place children.

The House-passed bill limits children eligible for adoption subsidies to those who have been in Aid to Families with Dependent Children foster care for at least six months. We believe this language is unduly restrictive and will exclude many severely handicapped low-income children from the benefits of the program. At a minimum, the program should be available to any child eligible for SSI benefits and legally available for adoption, who is either in foster care *or* has been placed in long-term institutional care.

Since the SSI means test is somewhat higher than AFDC income limits in some states, certain low-income disabled SSI children will not be eligible for adoption subsidies under the House-passed measure. Yet surely these are the very "hard-to-place" children for whom the program should be designed.

It must also be remembered that many low income disabled children legally free for adoption have been placed in state mental retardation institutions, rather than in foster family placement.

We therefore strongly urge the Subcommittee to extend eligibility for subsidies to all SSI-eligible children in foster care or institutional placement who are legally available for adoption.

Thank you for the opportunity to share the views of our Association with you.

Senator MOYNIHAN. We are going to have a special treat for the committee this morning. We are going to have a panel of four persons who have experienced intellectual, scholarly repartee in this field: Miss Blanche Bernstein, Deputy Commissioner of Income Maintenance, New York State Department of Social Services; Mr. Peter Forsythe, vice president of the Edna McConnell Clark Foundation; Gilbert Steiner, senior fellow, Brookings Institution, and an author of the greatest distinction in this field; and Mr. Robert L. Woodson, resident fellow, American Enterprise Institute.

We welcome you all. As you know, this is toward the end of a long series of hearings on some very new ideas, some of which are not so new, as it turns out. Part of the problem is the Secretary of HEW came before this committee a week ago, and he proposed an entirely new social idea—that there should be subsidies to aid the adoption of hard-to-place children. That struck me as a new and interesting idea. I was amazed that New York City had already instituted this system.

I asked the Secretary, were there any data, any research, any thoughts that he might give us to tell us why this is a good idea and what were the kind of things involved. He said, well, you know, how could there be research since we never tried it?

In the course of this week we find that yes, we have 43 States who are doing it now.

Who tells the Secretary what in this business?

You four are in the business of telling us.

Senator Danforth, would you like to make any introductory remarks?

Senator DANFORTH. I would like to know, from left to right, who is who?

Mr. FORSYTHE. Peter Forsythe.

Mr. STEINER. Gilbert Steiner.

Ms. BERNSTEIN. Blanche Bernstein.

Mr. WOODSON. Robert Woodson.

Senator MOYNIHAN. Why do you not proceed? What do you think has been going on here? What are your views?

STATEMENT OF BLANCHE BERNSTEIN, STATE DEPUTY COMMISSIONER, INCOME MAINTENANCE, NEW YORK STATE DEPARTMENT OF SOCIAL SERVICES

Ms. BERNSTEIN. I cannot explain why the Secretary of HEW did not know that the States have developed adoption subsidy programs. I think that in New York State we have had it for at least 6 or 7 years now, perhaps a little bit more. However, these things do happen in Government.

I am sure that there are some people in HEW that know about our program, and somehow, that information did not get up.

Obviously, the State programs—I do not know them in all of the 43 States—they are new. They have been effective in the sense—I do not have the exact figures for New York that we have substantially increased the rate of adoption in New York State as a result of the subsidies.

Senator MOYNIHAN. I just did some arithmetic and found that the ratio of adoptions to births since 1970 has held steady.

Ms. BERNSTEIN. If you are talking nationally, you are right. I do not happen to know those national figures.

I think we could say, in New York State, that we have increased the number of adoptions. It is not enormous. We are talking about some hundreds.

Senator MOYNIHAN. The atmosphere of crisis in which this matter came before us indicated that the number of adoptions was going down. I was just saying that the number of births was declining, and I asked, what is the proportion? But the proportion has stayed the same.

Ms. BERNSTEIN. Let me respond to that. One has to be careful in looking at the adoption figures. It is quite possible for the total number of adoptions to have gone down, if you look over the last 10 to 20 years, because the babies who are ordinarily the children adopted are simply not available for adoption any more, certainly not white babies, and not as many black or other minority babies.

The children who are now available for adoption tend to be 6 years of age or older, heavily focused in the minority groups, and a considerable number of them with emotional or physical disabilities of a greater or lesser degree.

Senator DANFORTH. May I interrupt here? I am not clear what has happened so far.

Are you saying that as a result of the New York adoption subsidy that the number of adoptions have increased?

Ms. BERNSTEIN. The number of adoptions of older minority children——

Senator DANFORTH. Let's talk first of all about the young kids. Has the adoption subsidy had any effect on babies?

Ms. BERNSTEIN. Very little. That is not the problem.

Senator DANFORTH. Just so that I can focus on the problem here, the adoption of babies is not the problem; with or without a subsidy program, babies would be adopted, right?

Ms. BERNSTEIN. By and large.

Senator DANFORTH. So, what we are talking about is the adoptability of children who are 6 years old or over, and especially minority children. Is that right?

Ms. BERNSTEIN. That is correct.

Senator DANFORTH. Has the existence of the subsidy program had any effect on the quantity of adoptions of this group?

Ms. BERNSTEIN. In New York State it has.

Senator DANFORTH. It has?

Ms. BERNSTEIN. It has.

Senator DANFORTH. Can you quantify it?

Ms. BERNSTEIN. I would need a few minutes. It is in some testimony that was presented to the committee yesterday by Acting Commissioner Shang on behalf of Commissioner Toia. I do have a copy of that with me. I know I have read through it; I do not recall the figure.

Senator MOYNIHAN. Why do we not see if we can get that.

Senator DANFORTH. That is what we are talking about in this bill. We are not talking about babies at all. We are talking about 6-year-olds and older children, children who are minority children, also handicapped children, right?

Ms. BERNSTEIN. Correct.

I might just present, as a bit of background on the basis of a study that I did in New York City a couple of years ago, which is now being replicated in New York for the rest of the State, the whole foster care picture is changing, markedly in terms of age groups. One sees a tremendous decline in the number of children under 3 in foster care. We have already seen this. We are beginning to see a decline in the number of children under 6 in foster care. We are going to see that moving very rapidly in the next couple of years.

The way you see the increase is in the number of children 12 and over, as well as in the 9 to 12 group.

Senator DANFORTH. For this younger group of 6 years old and younger, that would be all races?

Ms. BERNSTEIN. That is all races.

Senator DANFORTH. There is no particular problem in the adoptability of minority babies?

Ms. BERNSTEIN. Let me put it this way. There was no problem at all in the adoptability of white babies. The problem, if anything, is the other way. There is such a demand for them that people are probably paying a very high price to get them.

With respect to minority babies, their situation is not that good. But, by and large, there is no problem, or there is not very much of a problem with respect to minority babies.

Senator DANFORTH. This bill should be tailormade, then, to the problem that exists, which is no babies under the age of 6.

Ms. BERNSTEIN. I would like to put it another way. I would like to put it the problem is hard-to-place children.

You could have a baby, white or black or brown, who has some particular problem. That baby will be hard to place, so I think that you want to word this thing in terms of hard-to-place, which is partly defined by age, partly defined by minority status, and partly by physical and emotional status.

Senator MOYNIHAN. I would like to get the perceptual context clear here. We have not had much data. We have none from HEW. We sit here in a world in which you can pick up the papers every so often and read that there are baby hustlers and that the price of babies has gone sky-high. It is unprecedented.

Then, in comes the U.S. Government saying that we have to do something to deal with the desperate problem of adoption, and they have a new idea. The idea turns out to be one already in place in 43 States, and we are told that we somehow have to subsidize a practice which apparently will elicit all kinds of private market activities of a very questionable order because of demand.

I think really Mr. Woodson ought to respond to that, but Mr. Forsythe is shaking his head.

STATEMENT OF PETER FORSYTHE, VICE PRESIDENT, EDNA McCONNELL CLARK FOUNDATION

Mr. FORSYTHE. Senator, I think it is terribly important that the committee focus on the fact that, although apparently the Secretary of HEW did not have the information about the States activities and the details on subsidy, the Office of Child Development has done an exhaustive piece on the status of subsidy in this country; has all the States categorized, and has developed a model act that went through the winnowing of 2 or 3 years of discussions throughout the country. This model act has come up with some proposals of how to avoid the potential abuses of badly conceived programs which are of obvious and appropriate concern. It has done so in a very sophisticated way. They would tailor it only to those hard-to-place children, those children who would not be adopted in the normal, marketplace exchange if you will, those below where the supply and demand curve cross. It would focus on those who are older or handicapped, a group that Ms. Bernstein did not mention, or those of large sibling groups, three, four, or five children who should be kept together instead of separated on a one-by-one basis, and many of the children who have two or more of those problems at the same time.

There has already been work done in those 43 States with extensive experience, attempting to identify the abuses and the subsidy for those limited cases where it should be involved.

Senator MOYNIHAN. I had a lot to do with the establishment of the Office of Child Development 8 years ago. It seems that at 8 years old it has ceased to function, as an intellectual center. This would be the longest half-life in the history of the Government.

May I say to you, does the administration proposal reflect the research of OCD?

Mr. FORSYTHE. 7200 and 961 have some of those features which the Bureau proposed. The comments by Secretary Califano and Vice President Mondale, on the simple income test, deviate from the proposal in the Office of Child Development model act.

Sometimes during this panel I would like to discuss that issue with you in some detail.

STATEMENT OF ROBERT WOODSON, RESIDENT FELLOW, AMERICAN ENTERPRISE INSTITUTE

Mr. WOODSON. Senator, I think it would be a mistake to limit the problems of adoption to the subsidy issue, even though it is an important issue. I would also take issue with the contention that there is parity between minority infants awaiting adoptive homes and nonminorities. I do not believe that. I can submit data to support that position.

When we talk about adoptions, we are talking about minority kids, since half of the kids who are in foster care are minority, principally black kids; kids who have been in a long time. There are other issues that militate against kids moving out of foster care.

I think the child welfare establishment has not encouraged the adoption. They do not know how to reach out to groups outside of the middle-class community and have not learned from, nor have

they been willing to accept the efforts on the part of voluntary minority organizations who have demonstrated effectiveness in addressing this problem.

Another point is the issue of interstate compacts has to be addressed. Agencies in different States do not honor the studies of other agencies in other States, therefore, resulting in prolonged stays in foster care.

I think that we need to address the fact that there has not been an aggressive outreach on the part of agencies holding children, minority kids in particular, in foster care for extended periods of time. These kids do not receive the adequate care that they should, and it leads one to believe that there is financial incentive on the part of many public and private foster care agencies to keep children in care. There are several examples from the experiences of minority placement agencies if a capacity to place minority children, one in Detroit who mobilized all the resources of the black community and placed in 1 year 125 childern. They exhausted their supply of kids in need of homes, and, in fact, experienced a surplus of black homes. In response to this, they began to accept referrals from outside of the State.

They got caught in a Catch-22, because the United Fund said, you are now accepting kids outside of Detroit, therefore, that unit of activities is ineligible for continued funding, and therefore, you must cease that activity.

Another group here in Washington, the Black Child Development Institute, in a program in 2 years placed over 270 children in adoptive homes. Again, those two efforts have not been studied. We do not hear organizations like the Child Welfare League of America that keeps 600 kids hung in their exchange coming to Detroit or to the Black Child Development Institute and asking, what can they—Child Welfare League of the District of Columbia—do to replicate your experience.

Senator MOYNIHAN. Would that comptroller study in New York City tend to confirm your position?

Mr. WOODSON. Yes; it would. The administrative director of child services was on television in an attempt to defend that study. New York has about 30,000 kids in care at a cost of $13,000 to as high as $50,000 per youngster.

Senator MOYNIHAN. We went through that. That was a rather startling figure.

The director of these matters in the State of Oregon said that in Oregon, the median income of the families where adoptive children are placed is $9,100; the median number of children in the family is 2.5. And then we find out from New York that the cost per foster child in New York City is greater than the family income of the adopting family in Oregon. We want to know, where did that money go, and who got it.

Mr. WOODSON. How much is the administrative overhead for services.

Senator MOYNIHAN. Who got it?

Mr. Steiner?

STATEMENT OF GILBERT STEINER, SENIOR FELLOW, BROOKINGS INSTITUTION

Mr. STEINER. On that subject, it seems to me it is possibly too easy to assume that it is being frittered away unwisely and that the administrative costs are outrageous and unreasonable. That may indeed be true. Indeed, I believe that by and large, child welfare services are surely not the shining light of social welfare. The child welfare services have attracted not the best professionals; perhaps the contrary. There certainly has not been a history of either efficiency or clear thinking and not a history of writing clear English prose in child welfare case records.

All of that, however, has no bearing——

Senator MOYNIHAN. Were you here this morning when we were told about the HEW proposition to give people financial management options? It sounds as if they are buying a seat in the stock exchange, or going into the commodity futures market.

It turned out to be managing your household. Financial management options indeed.

Mr. STEINER. I am sorry I missed that one.

All of that, however, should not be confused with the fact that there can be a good reason for high administrative and overhead costs associated with adoption questions, and foster care as well. It is a reasonable cause for concern. Why are so many States spending so much money on overhead costs for existing foster care, without a understanding of why the overhead cost in relation to the number of children placed may seem so high?

Effecting a good placement is like effecting good stew in some cases: It has to simmer on the back burner. It is highly undesirable—and a moment's consideration will sustain the point—it is highly undesirable to be responsive to a phone call from someone out there who has read a sad tale in the newspaper about children in need. a phone call which says, I must have a child; I cannot be happy in life knowing that children out there are in such need. The impetuous actor in some cases will be a splendid adoptive parent and maybe a splendid foster parent, but a wise rule in child placement is "beware the impetuous actor."

Clearly, it is a good deal wiser to let that simmer for awhile, for the adoption study, for example, the foster care study, to take a little while, so that you know that 2 or 3 weeks or maybe 2 or 3 months have passed while conversations go on and there is an opportunity to make a determination that that potential parent is a person who is indeed anxious to have an adopted child and can cope with it.

Someone has to pay the worker's cost while that is going on. While a worker might be able to run 25 adoption studies at one time over a period of several months, you do not want to create waiting lists that cannot be satisfied, so there is no point in creating long lists of people who are eligible for adoptive children or who could adopt, if there were children to adopt.

If there is a relatively small number of children available for adoption, and you have adoption studies going on, that worker still

must be paid, even if she has only done two or three adoption studies over a long period of time.

That can magnify the cost of overhead associated with this particular business.

Ms. BERNSTEIN. If I might add a little bit to that, Senator Moynihan, I completely agree with Dr. Steiner on that question of adoption. Also, the costs of foster care are frequently—I would not defend the figure $50,000 per child; that kind of figure turned up in some of the children's shelters in New York when, in fact, they were trying to reduce the census and there was great underutilization and so the cost came out at $50,000 per child.

There are certain kinds of foster care which we think we should have a great deal more of than we do now, specifically in the residential treatment centers. That will be expensive. That can well run from $15,000 to $18,000 per child, but from the study I did in New York, one of the things that came out clear was that many children are inappropriately placed. That includes some children who are in foster homes, on the whole a good form of placement, but these were highly disturbed children and they should have been put into a residential treatment center where they could get all of the psychiatric and psychological services that they needed. That will not be cheap.

My own analysis revealed if you moved the more than 40 percent of children who were inappropriately placed in New York City in 1975 into the appropriate placement—and that would include, out of the 29,000, and some 3,600 who should have been into adoptive homes, the cost would be indeed a little more expensive than the then prevailing pattern in which so many children were inappropriately placed.

Senator DANFORTH. May I interrupt? By inappropriately placed, do you mean that these are children who have been placed in foster homes or in adoptive homes who should be somewhere else?

Ms. BERNSTEIN. These 29,000 children, some of them, about 2,000 or so, may have needed foster care originally, but at this point in their lives, they should be back in their own homes.

Some were in general institutions which had a mixture of children from the normal to the highly disturbed. Some of the normal children should have been in foster homes. Some of the highly disturbed children should have been in residential treatment.

That is what was wrong. And some of those children, about 3,600, were available for adoption in the sense that there was a break in the relationship between the remaining parent or parents and the child, that legal steps had been taken, or could easily be taken, and these children were in reasonably good mental and physical health and could easily have been adopted.

So the main thing was, if you looked at this pattern, while only 2,000 of the 29,000 should have been at home, many of the others needed different kinds of services. Some of the adolescents should have been moved into group homes where they could have gotten back into the community and begun to adjust.

Senator DANFORTH. There were 29,000 all told?

Ms. BERNSTEIN. In New York City.

Senator DANFORTH. If you took these 29,000—where are they now?

Ms. BERNSTEIN. Some are in foster homes; some are in residential treatment centers, relatively few. Some 4,000 were in general institutions where they were not, by and large, getting the kind of care that they needed. They needed some kind of care, but not that kind.

Some others had already been placed in foster homes for purposes of adoption.

Senator DANFORTH. Again, some of these 29,000 are in private residences?

Ms. BERNSTEIN. Yes.

Senator DANFORTH. They should not be in private residences; they should be in something else? They should be in either group homes on in institutions, is that your view?

Ms. BERNSTEIN. In every type of foster care you find some children that should be in some other kind of foster care or should have been home with their families again, or adopted.

Senator DANFORTH. All I am trying to ask you, is that some of them are in institutions; they should be out of the institutions. Some of them are not in institutions and they should be in institutions, and that is what makes your 29,000?

Ms. BERNSTEIN. That is correct.

Senator DANFORTH. Some of them are in big institutions and should be in small ones; some are in small institutions and should be in big ones; and so forth, right?

Ms. BERNSTEIN. With the only modification, that they should not be in big institutions; they should be in residential treatment centers, whatever the size. It could be 150 or more or less.

Senator DANFORTH. I understand.

Mr. WOODSON?

Mr. WOODSON. One of the key problems with the child welfare issue is perception. For the most part, the child welfare community, as I have seen it as a casework practitioner, is that the cornerstone of their policy is that the families and groups in which these kids reside is basically pathological and therefore, having little strengths or resources to address the needs of these kids.

What you find is someone coming from a different value perspective—middleclass—applying their standard of what constitutes adequate child care, to the natural home environment of the low income, resulting in breakup of a family. By way of an anecdote there is the case, I remember a case where the social worker visited a home of a mother living in a trailer with five kids, saw the 13-year-old baby-sitting on three occasions and assumed that the parent was neglecting those children, moved for petition of custody, which was granted. The kids were placed in three different sections of the county over a 20 square mile area, and then this mother was expected to maintain visitation with these kids.

Since she could not, because she did not have transportation, the agency determined at that point that she did not care about these kids, therefore they moved for petition of abandonment once she failed to visit.

To me, this was an agency participating in the destruction of a family. These kids should not be in care.

Senator MOYNIHAN. Mr. Forsythe?

Mr. FORSYTHE. I would like to take a moment to address this income test, if it is appropriate to do it.

Senator MOYNIHAN. Let us wait for a moment. First of all, Mr. Shang did not give us any statistics. He told us that we started the program in 1968 and now have 32 children under it at a cost of $2,000 each. That is all.

Those are not statistics; those are not even numbers. I want to make clear that this committee is going to report out a new Federal program requiring the maintaining of national standards and spending millions of dollars. Nobody has been before this committee who has told us anything, from the official position. The Secretary, a Cabinet member who proposed it, did not even appear to know it existed.

We have had no numbers.

I just want to press a point here to which we hope you all might address yourselves. I think of Nathan Glazer's book, "The Limits of Social Policy," he said that it is the nature of social programs of this kind—those that come about in consequence of a weakening in social structure—that invariably they weaken the social structures even further.

Absent that welfare worker, that mother that you described would still have her five children.

Why is it not logical for you to be against all of these measures? Why are any one of you in favor of it? Do you think the social structure is going to be stronger or weaker when this is over? Seriously.

Mr. WOODSON. By this act, do you mean?

Senator MOYNIHAN. Yes.

Mr. WOODSON. Some provisions of it, for instance, the subsidizing of adoptions, would be something that would strengthen this.

Senator MOYNIHAN. Strengthen what?

Mr. WOODSON. It would assist a lot of foster parents who have kids in care who would like to adopt them who cannot afford to lose the maintenance payments, would be aided by this.

Senator MOYNIHAN. We are going to do it.

Mr. WOODSON. It seems that the Federal Government should, in fact, decrease the support for foster care, and increase its support for previous services. This is essential since the city of New York spends roughly 3 to 5 percent of that much on preventive services, and the rest goes for the maintenance of and the warehousing of kids in foster care.

I think the Federal Government could give some leadership in this regard.

Mr. FORSYTHE. In terms of strengthening the family institution, the total social structure, we have had answers for these children throughout history. Sometimes we have let them die; other times we have put them in orphanages. That was the prevailing attitude for many years. We are talking about the cases where the orphanage institution was the old alternative, and seeking now some kind of normal permanent family tie for those children, with the name of the people they live with, and as normal a relationship as possible. That is what adoption subsidies are designed to promote.

It would be nice if we could say, the government in general and the Federal Government in particular should not be in any of these affairs.

Since we are already in them, since children are taken away and provided care, we must see that they are provided care in the best possible way. Some of the provisions in H.R. 7200 will eliminate a longstanding fiscal disincentive for getting the kids out of the system. It will be the first time the Federal Government has had an even disposition, with regard to a profamily policy, in adoption.

We do not have the luxury of saying, let's not have a welfare program of a child welfare program. It is, how to have one that is sensible and rational and which promotes a responsible social objective.

Senator DANFORTH. In this spectrum of ways of offering home treatment for children ranging from institutions through group homes, foster homes, to adoption, is there any area on that spectrum which is being injured by either H.H. 7200 or the administration's proposal?

Is there anything that is going to be hurt by this?

Mr. FORSYTHE. If you talk about hurt meaning the traditional practice being forced to make adjustments that it might not make on its own, the answer is yes. If you talk about hurt in terms of the children, one issue raised before you about whether or not the proposed cut of 20 percent of Federal match for institutions is the best way to reduce overuse of institutions. I do not have a better proposal, and I do hope that we discourage the overuse of institutions. It is kind of a meat-ax approach to cut 20 percent across the board, however, and maybe there is a better way.

Senator DANFORTH. Does everyone on the panel agree with that 20 percent cut?

Ms. BERNSTEIN. I do.

I would again ask that legislation be drawn as to not include the residential treatment center in the definition of an institution. I myself, and certainly on the basis of my study, would like to encourage the decline of the general institution and the shift to a residential treatment center with appropriate psychiatric and social services.

Senator DANFORTH. You would like to see the 20-percent cut applied to what?

Mr. BERNSTEIN. It would apply to the general institution, which can be defined as accepting a wide range of children from the normal to the highly disturbed, handling——

Senator MOYNIHAN. Do you really want us to go on the floor of the Senate with language of that kind?

Ms. BERNSTEIN. I can give you language——

Senator MOYNIHAN. Remember, it will be adopted and no more than three people will know out there. Considering the amount of regulation that goes into legislation, you will never get it out.

Senator DANFORTH. Mr. Steiner, you did not express any opinion.

Mr. STEINER. I agree entirely with Mr. Forsythe's position.

Mr. FORSYTHE. There are some other features proposed in 7200 that would help to address the question of inappropriate placement. One of them in the proposal that the IV–B language, at least in the

administration's proposal which I understand you will be receiving, encourage tracking systems, or ways to know who the children are, where they are, and have some periodic review about the appropriateness of where they are.

We have been sorely lacking in that. The foundation for which I work has been attempting to promote both of those concepts for the last 4 years, spending about $2 million a year to help the child welfare system adjust so that fewer children are hurt and more helped to achieve permanent families. Tracking systems and periodic reviews are two important provisions, in addition to the adoption subsidy, that will make this a more rational provision as it affects the child itself.

Mr. STEINER. The combination of the adoption subsidy and a foster care tracking mechanism are things that really need our principal attention in connection with the child welfare aspects that we are talking about here. These are the things to keep our eye on.

You and I might agree, Senator Moynihan, as we have in the past, on the incompetence of the professionals in this business. We might agree on the problems associated with changing the character of the bureaucracy.

It strikes me, however, that to turn away from the adoption subsidy, or to turn away from an improved foster care tracking possibility is, if I may borrow your reference, to punish the sparrows by punishing the horses, and that does not make very good sense.

Senator MOYNIHAN. You are right. We are going to pass that bill.

Mr. STEINER. At least that provision.

Senator MOYNIHAN. Yes, that provision.

Mr. WOODSON. There is one footnote to this comment about monitoring and control. Under section 427 requires the States to review to insure that children are not removed from their homes and a wide variety of services be provided; in the legislation, in subpart 6 it refers to a State establishing a procedure for impartial review with the case planned by an experienced and objective person not directly involved in the provision of services.

I would like to see this changed to read, "Such a person shall be appointed by a court of competent jurisdiction and be responsible to that court." I think that would go a long way to strengthen some of the monitoring.

Senator MOYNIHAN. What does a court clerk know about it?

Mr. WOODSON. I would like to draw your attention to something. In Chicago when the agency brought a mother to court for neglect of a child, as the agency was seeking custody and the judge asked the mother why she was not sending the child to school. The mother responded by explaining that she could not afford to clothe the child.

The judge ruled that the mother be licensed as a foster parent and directed that the agency provide maintenance.

I think in some cases some members of the judiciary have exercised much more foresight and understanding of the rights of children than some of the agencies that have brought these cases to them.

Senator MOYNIHAN. How many years will it be after we pass this measure until we have a panel in this hearing room where people say, judges, whose only concern is with property and precedent, are being

asked to control the lives of sensitive defenseless children and a profession trained to caring and concern is being excluded from these matters.

Mr. FORSYTHE. I do not think there is any chance that it will happen. We have too much State experience with the courts involved in court review presently. We are not talking about courts and judges that are trained improperly, but family court judges increasingly trained to be insensitive. The court is not a good one in providing answers, you are absolutely right, but the court is expert in asking questions, and unfortunately the child welfare system, or any bureaucracy, private or public, is not very good at asking questions of itself.

Hopefully, they will give the answers and the courts will ask the question.

Senator MOYNIHAN. We really have contradictory proposals. You are one of the first people who says the courts should stay on.

Senator DANFORTH. One of the first judges to make a decision on child custody was Solomon. Were you here when Mr. Carleson was a witness?

Mr. FORSYTHE. I was.

Senator DANFORTH. What was your reaction to him?

Mr. FORSYTHE. I thought it was interesting. I heard Mr. Carleson on these positions before as a former social service administrator in my State, Michigan, before I went to New York. I think his point about protecting the rights of the States to make these decisions is an interesting one.

It is not, however, a matter so much of citizens and elected officials making decisions in States; it is the bureaucrats in the States, of which I was one, as opposed to the bureaucrats in Washington.

If one is interested in children, they are not the ones who will come as angry citizens down to your townhall in St. Louis, or whatever, to promote a block grant approach. The children cannot do that.

The IV–B program is the one remaining instance where, without a means test, the Federal Government says, we have a special interest in children. It goes back almost three-quarters of a century, as I understand its origins, at least in concept.

I think to abandon it, and to assume title XX is the answer for everybody, would be a serious mistake. Title XX is an enormously successful and helpful social service tool, but title IV–B has a very important place as the only nonmeans tested concern that the Federal Government historically expressed for children who have special needs.

Senator DANFORTH. Is not that the argument made for every categorical program, that without this particular specification of a group, the money would go elsewhere?

Mr. FORSYTHE. These kids are the ones least able to express it. I am sure others use it. The representative of the National Association for Retarded Citizens made the same claim. There, again, we have a much more vocal adult lobby.

Senator DANFORTH. You do not trust the Governors of the 50 States to make these kinds of decisions, is that right?

Mr. FORSYTHE. I trust the Governor for whom I worked. I have worked in other States all over the country. This is not a group that will get the attention that it needs through the political process, because Governors are elected by adults.

Senator MOYNIHAN. The acting commissioner of social welfare in New York State was asking that yesterday. We asked can we trust you? He, in effect, said no. It was rather refreshing.

Mr. Steiner. If there were cause to trust State governments in this business, we would not be in the mess that we are in now. This is not a new kind of game; it is not the day before yesterday that we became aware of the fact that there were children out there in need of adoption. It was not the day before yesterday that we became aware of the fact that children in foster care were in foster care over an extended period of time. When the case came up in the file cabinet, the caseworker would close her eyes and say, "Good God, I do not know what to do about that child," and shove it to the back so the child remains in that situation without a periodic review of his circumstances and conditions.

If the Governors and the State legislatures had actually been responsive to this group, that kind of a problem would have been attended to before that. It simply has not been attended to.

Senator DANFORTH. Has the Congress been responsive beforehand?

Mr. STEINER. Congress has been more responsive than the States have been responsive. We are really in a situation, it strikes me, in child welfare, that is comparable to where we were in aid to dependent children 42 years ago when the Social Security Act was adopted.

There were then 16 or 17 States that were providing mothers' pensions, aid to dependent children, but there were twice as many as were not. Even among those 16 States, some were providing a decent benefit and some were providing a niggardly benefit; some were attaching undesirable strings, some were not.

As we sit now, in the adoption subsidy business, if we were to track those 43 States paying adoption subsidies, the situation would not look very different.

Senator MOYNIHAN. It is different in one respect. The difference between 43 out of 50 and 17 out of 48 is the difference.

Mr. STEINER. Quite.

It may turn out, Senator, a one-shot, small-scale adoption subsidy does not make a substantial difference.

Senator MOYNIHAN. It may not, but we will find out after we pass this bill that by golly nobody has come before us with 5 cents' worth of information and I really have to say, Ms. Bernstein, I am disappointed. I thought at least New York would have some. Those are not numbers.

Is there a crisis in this area, or is it simply on the agenda of things that we are getting around to?

Senator DANFORTH. Excuse me. I want to thank all four of you for being here. It was an excellent panel.

I wish you were a little bit more sensitive to State and local governments. I do not see that as one of your burning crusades.

Mr. FORSYTHE. As a former local and State official, I have been there, and my experience would indicate similar results to those from

New York: We cannot, at the State level, be insensitive to the real difference that subsidy has made.

Senator DANFORTH. I was not here for that, but I'll bet you what he was saying was, get me off the hook; I would really rather pass the buck to somebody else.

It seems to me that we have been so unwilling to get these people off the hook, and we have been so willing to deny them sufficient funds which we have done, we have dried up the revenue base but we have created a situation where they have become dependent on us and where they would just as soon pass the buck, and it is wrong.

I do not think that there is something inherently malevolent about people in States and local government that makes them more insensitive to the needs of children than we are here in Washington. I did not notice any great metamorphosis in myself at the moment I arrived in Washington so that I was transformed into a butterfly. I do not think that is true with anybody else, either.

I think there are a lot of very good and decent people throughout this country, and somehow we have failed to recognize that in Washington, so we just inundate State governments with more and more requirements and more and more forms to fill out and more and more tracking devices, and so on and so forth.

I just wonder whether it does any good, or whether the best thing to do for them is say, here is the money; now, you spend it.

I do have to go. I am sorry that I cannot stay.

Senator MOYNIHAN. Let it be recorded that if States rights lose out again it is because Senator Danforth had another meeting.

Senator DANFORTH. That is right. I was only allowed to make my point about four or five times this morning. Thank you.

Senator MOYNIHAN. Ms. Bernstein?

Ms. BERNSTEIN. I would like to say, in connection with the States rights argument, it must be clear to all of us that virtue does not reside fully in the States and localities and not in the Federal Government.

In fact, I have been a State official for 2 years now. I have had the doubtful pleasure of watching the State legislature for these past few months, and it is a performance that is mixed, as indeed is the performance of the Congress; but I do think that it is a very simplistic approach to say, just turn the money over to the States and they will do it just fine because they are on the scene.

They are subject to the same pressures as any political body is, and those pressures sometimes work in the right direction, and sometimes work in the wrong direction.

Certainly the administration of the AFDC program in New York City, the whole public assistance program in New York City, is perhaps an illustration of what happens when direct pressure from local groups work to the disadvantage of the program and are partly responsible for rather loose administration. I think that the role of the State, for example, in improving the administration of welfare in New York City has been very great, and one reason it is possible is that it is slightly removed from the pressures in New York City.

The Federal Government is sometimes helpful and sometimes not helpful, but I think we must simply live with this rather compli-

cated, but workable, arrangement, in which the three levels of government somehow work out a series of programs.

Senator MOYNIHAN. You say complicated but workable; it is not so workable. It has bankrupted my city, and the progress of the rights of freeborn New Yorkers. We do not have the rights we have had since 1664 anymore; it has profoundly corrupted the bureaucracy. Not so workable, I think.

Ms. BERNSTEIN. I agree with that appraisal, but I think the reason for the problem arises in New York City and not because the Federal Government, for example, mandated a welfare program. The reason we got into trouble in New York City was not because of the Federal mandate, but because of poor administration of the welfare program in New York City for a decade.

Senator MOYNIHAN. Here we are with a bankrupt city, the most important city in the Western World, collapsing because of these pilings of expenditure upon expenditure upon expenditure. The most important city in the Western World has collapsed; its political liberties have been taken from it.

It was a center of ideological liberalism for two centuries. Now, it is in the hands of the receivers.

What do we get from HEW? Any effort to respond to that problem? No. Just add a new one.

There is one thing I should tell you about the hearing Monday; I said one of the things that surprises me about the proposal is that we have not already thought it up and instituted it in New York City, because I am used to people coming to Washington, for two decades now, with wonderful ideas that we have already had in New York and with which we have had rather less than wonderful success.

Someone said, do you not know that you have it in New York State?

Then it turned out that 43 States had it. Is there a crises in this field, or is it that this is the newest enthusiasm making is way on the indignation circuit?

Mr. FORSYTHE. There is only a crisis if one takes the position that to do nothing at this time these issues come upon the national agenda, when thousands of little children are needlessly being denied families, is a crisis. There are not more than yesterday; there will be more thousands tomorrow. There have been many, many thousands and continue to be while we have gone on about other pieces of business.

I would hope that that is a sufficient crisis for action.

The issue is not whether the Federal Government will get involved, but whether we are going to have national finances in this adoption and foster care business, the question is whether we will put the finances on a sensible basis to find needed families and save money.

The administration proposal is that there be a simple means test as part of adoption subsidy. When there is a bill, I hope that feature will receive very careful consideration by the committee.

There are other screens to prevent tax abuse. I would be the first in the front of the line saying let's not float another program that rips us off and gets used for the wrong purpose or enriches somebody.

The test should be the need of that child who will go homeless, to have the subsidy available to assist him or her in getting the home. You are talking about trying to get people interested in adoption once you have exhausted the normal supply of parents, the demand will not come forward. All the people who do not have children born to them, who are infertile, who are dying to have a child at whatever cost, are currently adopting. After they get children, then what do we do with the rest?

What do we do with the kids who are left over when the demand without subsidy is satisfied?

That is the group that the subsidy is designed to address. The HEW model and several States have a number of years of experience with this approach. I would suggest for that unplaced group of children some vesting of the subsidy right in the needy child. That would permit the child to be adopted by the best available family, given the fact that you do not have to limit parents to those with a lower income. Who can you entice to adopt that waiting child?

Who new can you offer an option to?

Some prospective adoptive parents may have three or four other children and college expenses facing that family. We must say to them, how would you like to take two or three more? Someone tells me, "Maybe they should not take them. They do not love them enough if they need subsidy." The fact of the matter is that they can love them exactly as much, but they are faced with the financial hardships that we are all faced with if we have under a $20,000 or even $25,000 a year income with four other children to put through college.

No family can say, "How would we like to raise two more?" without having a significant change in their lifestyle whatever the income. That is what we are faced with, to find loving families, help them raise the extra kids instead of leaving them in the institutions. Also instead of telling the foster families with whom that child has lived for 4 or 5 years, sorry, we did not have an income test when you got into this, family; but we do if you want to protect your foster child by adoption. You are fully a member of that family, but we have now imposed an income test. If you want to stay permanently, it cannot be done. You can stay permanently as a foster child and we will pay the double cost of foster care, but not an adoption subsidy. We will not let you stay as an adoptive child. You will have to go or stay in a second-class and more expensive States.

Senator MOYNIHAN. That clearly has the makings of a lot of irrational situations.

Mr. STEINER. There is a crisis, in response to your question. Knowledge makes for a crisis.

Senator MOYNIHAN. I have not seen much knowledge here. I am still trying to have them tell me how many children are being adopted.

Mr. STEINER. We have the knowledge of the ability of concerned campaigns to place hard-to-place children. The foundation that Peter Forsythe represents has been enormously effective in helping to sustain endeavors to place hard-to-place children. It has been a demonstration program that has been tremendously effective and interesting to watch.

We know children who are 13 years old and physically handicapped who have been in foster care for 5 or 6 years can be placed if we mount the right kind of effort.

It seems to me that it is a crisis in those terms. If we continue to allow the children under those conditions——

Senator MOYNIHAN. This has the ring of truth about it, that things have not gotten worse, that the possibility of them geting better now exists. Of course, we have only heard the rhetoric of things getting worse, which I am used to.

I want to ask you this question. The United States is a political culture—or at least some of it is political. The society is clearly in a phase of rejecting fecundity as a principle for the first time in our history, although it has been on that curve for a long time. We have now dropped below reproduction rates; we will not reproduce as a society and have not been doing so since 1972.

We are well down below reproduction rates. That is a striking phenomenon in a society, when a group of human beings, a large gene pool, refuses to reproduce its numbers. I wonder if someone will not come and say to us, during these hearings, that foster care and adoption is difficult because there is a rejection of the idea of fecundity and procreation. People do not want children at all; but that is not the case.

Can anyone give us a number? HEW has not given us a single number.

Mr. FORSYTHE. The problem, in part, is what number do you want? I can tell you that in 1968, the State of Michigan placed 100 children in adoption; in 1971, they placed 600 as a result of a concerted campaign that included the adoption subsidy.

I cannot tell you how many were placed just because of the subsidy as opposed to better recruitment, some training of workers, changing of some of the irrational practices. These things were all done at once.

The State of New York has placed several thousand children—my guess would be in the neighborhood of 15,000 to 20,000 children—in the life of that subsidy program. You cannot say how many were just because the subsidy was there as opposed to some other reforms as well but the subsidy was always an important part of the effort.

Senator MOYNIHAN. There is no such thing in social science as "just because." If you can account for 8 percent of variance, you would get a Ph. D.

Mr. FORSYTHE. You properly attack the Federal Government for not providing the kinds of national numbers that we sorely need. But there are instances of local numbers and there is sufficient numerical justification, it seems to me, to provide whatever the committee needs to show that these things do work, not to increase the total numbers of adoptions, because you have trends like the decline of giving up babies for adoption, et cetera, but clearly to increase the numbers of those hard-to-place kids for which institutions and a whole life without a family is the alternative.

Ms. BERNSTEIN. I do want to apologize for the State not having given you some figures yesterday. Services is not my balliwick but when I get back to Albany, I will see to it that some figures are sent to you.

Senator MOYNIHAN. Do not apologize, but do explain.

Ms. BERNSTEIN. Let me give you one figure. The majority of the children who have been placed in the subsidy adoption subsidy program in New York, are between the ages of 6 and 16. I think that itself is indicative. These are hard-to-place children.

Unfortunately, I cannot define "majority" for you. I do not know if that is 70 percent or 80 percent, but I will try to get you some figures.

One other word. There is a crisis in the child care field in the sense that in New York City, as progressive a city as that, 40 percent of the children are not appropriately placed. We ought to be able to do a lot better than that.

Adoption is one of the methods. I think we should be careful not to exaggerate it. It is not the cure-all for the foster care problem. It is not a substitute for the use of medicaid funds for abortion. I think it is a dreadful mistake on the part of Secretary Califano to offer it as a substitute.

Senator MOYNIHAN. Do you think that Secretary Califano's proposal is just an effort to take the sting off abortion?

Mr. WOODSON. I think so.

Senator MOYNIHAN. Can we poll the panel?

Mr. WOODSON. You can poll this panel. I think it is. It is a way of explaining the administration's position on abortion.

Senator MOYNIHAN. HEW reversed its position on the House bill, is that not right? Is that not the case? They testified against it awhile ago, and all the arguments that were gotten together were argumens against the bill. Nobody said, get some arguments for it in case we change our minds?

Mr. WOODSON. Even some people on the President's own staff have raised some questions about the administration's position on abortion.

Mr. FORSYTHE. I think the reason for their switch in part goes back to the same sort of a problem that you focused on at the beginning of this panel, where the Secretary himself did not know about the question of adoption subsidy in 43 States.

One of the features in 7200 as it now stands—and I am afraid it might be lost if there is some effort to split the needed provisions between 961 and a revised 7200, would be the creation in HEW of some office, hopefully quite small, where these kinds of things would be the focus priority.

There is currently one lady spending one-half of her time on adoption issues within HEW. She is not invited, because of the level of her position, to the meetings with the Secretary or the Under Secretary or the head of OHD who makes the testimony or the people who prepare the testimony. That is the kind of gap that we are talking about.

I hope we will not forget that, if we want them to have any leadership in this area, and I surely do; we have to provide some visible bodies that we can hold accountable with program expertise to give you the answers that you ask for, and hopefully, in advance of your having to ask for them. That kind of function is badly needed.

The whole notion of coordinating an adoption effort needs attention. States need to be helped to do things together, like exchanging

information where there are families for children in one State and children in another State. That has got to be encouraged as a part of this package.

I hope that those two things will not be left out.

Senator MOYNIHAN. It baffles me. Would you have not thought that the National Center for Vital Statistics would have picked up these things? They have a large body of money and buildings.

Mr. FORSYTHE. And there are programs for social statistics; there was historically a program for child welfare statistics. Both were dropped as, somehow, not effective, but we sorely need the information, not only to answer the questions at this level, but to do effective planning between States.

Senator MOYNIHAN. You need information. You do not have any arguments with me on that.

Mr. WOODSON. I do not know of any competent statistics that would even tell us how many children are in foster care in every State.

Senator MOYNIHAN. This has been so surprising. You have all told us a great deal, and I want to thank you very much. I think some of you have some specific ideas.

Mr. Forsythe, make sure to give us a note on what would happen if we split the two bills, and the data center.

[The following was subsequently supplied for the record:]

THE EDNA MCCONNELL CLARK FOUNDATION,
New York, N.Y., August 5, 1977.

Hon. DANIEL P. MOYNIHAN,
U.S. Senate, Dirksen Senate Office Building,
Washington, D.C.

DEAR SENATOR MOYNIHAN: At the Subcommittee hearing on Adoption Subsidy and related Social Service issues, you asked for written clarification of my concern for the possible separation of critical complementary provisions into two bills. Now that the Finance Committee has acted it is an even greater concern.

Subsidy together with other practice reforms has made a great deal of difference to thousands of children who now have families of their own and otherwise would not.

The two important provisions are the mandate that HEW have some staff assigned to or a unit focused on this issue and the provision for a resource exchange to help children who can't find parents in their own state find them in other states. Both are contained in Senator Cranston's Bill, SB961. Both are badly needed as a part of this serous effort to find more adoptive homes and end the human and dollar waste of present programs.

Please introduce a floor amendment, or join with Senator Cranston if he does, to include these features with the Social Security Act amendments to be passed this year.

Very truly yours,

PETER W. FORSYTHE,
Vice President.

Senator MOYNIHAN. I think you had a particular proposal, Mr. Woodson, which I would like to hear, and no doubt you all do. Stay with us, and pray for us a little, and illuminate a little, will you not?

This cause is not a popular one in this country because of the suspicion, what are they up to now? If they press it, they find you do not know. There needs to be some toughening up.

Mr. Steiner, I want you to go back and toughen up this profession.

Mr. STEINER. Yes, sir. I will follow your lead.

Senator MOYNIHAN. Thank you very much. It was an honor to have you.

[The prepared statement of Mr. Woodson follows:]

PREPARED STATEMENT OF ROBERT L. WOODSON, RESIDENT FELLOW, THE AMERICAN ENTERPRISE INSTITUTE FOR PUBLIC POLICY RESEARCH

The views I am about to present are my own and do not necessarily represent those of the American Enterprise Institute, where I am currently in residence. Most of my professional career has been devoted to planning, directing and administering human service programs that utilize indigenous resources that exist with this nation's neighborhoods in addressing a variety of social problems.

The theme of my research at AEI is to examine the extent to which neighborhood institutions such as the church, voluntary associations and the family can be recognized in public policy formulation and the extent to which these structures can play a primary role in the delivery of human services, and the realization of social purposes. Many people in this country look to these structures as a means of mediation with this society's larger bureaucractic life. This phenomenon is especially true for people of liwer income groups. Public policy tends to discount the usefulness of local groupings relegating their role to supportive of/and subordinate to professional human service disciplines. By viewing the milieu of lower income and minority communities as repositories of pathology, policymakers have developed policies, even though well intended, that has on occasion destroyed these indigenous institutions that have traditionally provided sustenance to people already disenfranchised by a myriad of social problems.

The failure of the childcare establishment to properly and adequately serve children entrusted to its care goes directly to the failure of its proponents and its practitioners to understand the dynamics of the family in socio-economic and class structures alien to their experience. Low-income families and those of minorities are seen as a kaleidescope of interlocking pathologies, an institution constantly in crisis and therefore in need of treatment—treatment that can only be provided by the child welfare and psychotherapeutic monopolies.

This implies the opening up of federal coffers for more (quantitatively as well as qualitatively) agency based child welfare services.

Dr. Brigitte Berger, a very thoughtful and sensitive sociologist spoke to this point in an unpublished paper on the way the family is viewed, and I quote, "mental health however, defined, is basically a function of families and communities. Both, however, have come into disrepute in recent decades, with the family probably being the chief victim. By now many average men and women have come to accept the labels and jargon of psychologists, who hold the family to the the most problematic breeding ground of undesirable behavior that may or may not be identified as neurotic and pathological. A wide variety of "undesirable" behavior, ranging from . . . . . over aggressiveness as well as passivity and apathy to all forms of deviant and delinquent behavior, is blamed of the family, with the mother in particular being identified as the chief culprit. Consequently, there seems to be a growing consensus among the analyst of mental health and their policymaking counterparts that alternatives have to be developed that can take over more effectively the traditional functions of the family."

The tendency to highlight and focus upon the pathology of the families of low socio-economic people represents the cornerstone of child welfare policy in this country. The result is more children living away from their families in a malaise? Of foster care institutions with cost that range as high as fifty-thousand dollars per child. "Out of home" care has been aptly described by some families caught in the child welfare network as tantamount to the after shock that follows an earthquake. First the trauma of family disruption, then the trauma of placement.

My personal experience as a caseworker in the child welfare system afforded me the unique opportunity to view the system from the perspective of a practitioner responsible for carrying out policies that often function to destroy families to which the agency was entrusted to help.

It is from these experiences that I will comment on title IV-B, and title V. Sec. 427—Requires that, as a condition for states to receive title IV-b funds, states must insure that children are not removed from their homes unnecessarily and that a wide variety of services should be provided to prevent removal has taken place.

Comment.—This section does take a major step in making states more accountable for their actions and to attempt strategies other than removal of a child. The effect will be to reduce the number of foster care placements to some exent. However, there should be financial incentives for developing preventive services.

Sub-part (6) refers to the State establishing procedures for an impartial review of each case plan by an experienced and objective person not directly involved in the provision of services. It is recommended that this be changed to read . . . an experienced and objective person not directly involved in the provision of services to the family, such a person shall be appointed by the court of competent jurisdiction . . .

Sec. 428—Provides for the establishment and operation of a national adoption exchange.

Comment.—The potential impact is minimal unless accompanied by expanded outreach services which are provided especially to minority communities since they represent approximately half the children in foster care. In addition, there must be improved inter-state compacts, and changes in adoption policies and practices. Many such standards reflect a monocultural view of the world and thus fails to assess people within the context of their own cultural experience, e.g., a white middle-class social worker attempting to determine the parental quotient of a native American couple. The child welfare league of America has operated an adoption exchange, the acronym for this exchange is ARENA, I believe this to mean Adoption Resource Exchange of North America. They have been in existence for ten years. They have had approximately 6,000 black children in the exchange for two years.

Two private, minority organizations have demonstrated what can happen when those closest to the community they serve mobilize the collective energies of local indigenous people to address a common problem. Service is developed within the context of the culture of the community.

In a period of two years between 1975 and 1977, the Black Child Development Institute, a private non-profit organization through its outreach efforts placed over 270 children using volunteers in a number of cities. A group in the city of Detroit, Michigan called Homes for Black Children placed 150 black youngsters during their first year of operation. This represented more children placed in adoptive homes than all other agencies in the City of Detroit. Home study appointments were held at the convenience of the parents that were applying as opposed to being held at the convenience of the caseworker. This program has been so successful that they are currently facing a demise of their adoptive program as a result of a "catch 22".

Because of their success in locating adoptive homes they have exhausted the supply of children in need of placement. Concomitantly, they experienced a surplus of black couples desiring to adopt children. To meet the needs of these parents and other children in need of permanent homes, Homes for Black Children began to accept children referred from other states. The Detroit United Fund, that was funding HBC determined this practice to be inappropriate and threatened to cut off funds for the adoptive service unit. The question that remains is where are the experts to study the methods and techniques engaged in by these two organizations to determine their potenial for replication? Given that Black youngsters comprise one-half of the estimated 350,000 children in foster care and in need of homes, why are these two organizations that have proven their effectiveness threatened with extinction of their adoptive programs?

TITLE V

Sec. 411—The time limitation of one year for non-medical adoption subsidies makes this program ineffective.

One reason that foster parents do not adopt is the loss of maintenance payments. Knowing that they will receive subsidy for one year would discourage them from adopting.

Non-medical subsidies should be provided until the age of the child's majority or until such time that the family no longer needs the subsidy.

In conclusion, I would like to share with this committee an anecdote that perhaps best exemplifies forward thinking on the entire issue of child care. . . . About three years ago a child care agency in the City of Chicago filed a petition for custody on the grounds that the child's mother had been neglectful by not

sending the child to school as was prescribed by the law. When questioned by the judge as to why she had failed to send the child to school, the mother explained that she did not have enough money to purchase clothing for her son. The judge, instead of honoring the petition that would have removed the child and placed him in a foster home, immediately licensed the natural mother's home as a foster care facility and directed the agency to provide the customary maintenance payments to this mother.

Thank you Senator and members of the committee for this opportunity to address this committee.

Senator MOYNIHAN. It is interesting that we are coming to the ending of this hearing on a theme which we have just been dealing with, which was the question of data, and we are now going to hear from Mr. Wayne E. Dixon and Mr. Charles McDermott, comptroller, Social and Rehabilitative Services, Oklahoma City. You gentlemen believe in numbers. I see print-outs.

We welcome you, and I wonder if you would talk to us a little bit. You have heard this exchange? Elucidate.

STATEMENT OF CHARLES F. McDERMOTT, COMPTROLLER, SOCIAL AND REHABILITATIVE SERVICES, OKLAHOMA CITY, OKLA.

Mr. MCDERMOTT. Mr. Chairman, we appreciate the opportunity to come before this committee with some of our concerns. Before I talk about the prepared statement which I have filed with the committee, I would like to review some little of my own experience.

I am, as you pointed out, comptroller of the Department of Institutions, Social and Rehabilitative Services for the State of Oklahoma. I have held that position for the past 8 years. Prior to that, I was deputy commissioner for the West Virginia Department of Welfare and had previously been comptroller of that agency.

I started in the West Virginia agency in 1961 through the back door. I was a practicing certified public accountant and was called in to help solve some of the fiscal problems faced by the revolution in 1961 in welfare programs. I have observed the 1962 amendments, 1965 amendments, 1968 amendments and have concluded that possibly we did not learn a great deal from some of our past experiences. We discarded some of the programs that maybe we should be reconsidering.

My primary purpose in appearing before you today is to talk about the bility to achieve better caseload management and provide a data base for program planning, an area where a dire need exists, as pointed out by the previous panel. Oklahoma was fortunate in 1969 to obtain funding under a section 1115 demonstration grant to provide a model information system for the administration of welfare programs. That grant was extended through 1974 to permit Oklahoma to assist other States in the installation of the Oklahoma system.

As a result of the installation of that system, we have provided integrity in our payment under the AFDC program, and we are one of the States that is within the tolerances of the AFDC quality control. We accomplish this by providing a data base that, first of all, provides the caseworkers with a management tool, provides a centralized data file so that when an application is received, the

local office in one of our 77 counties can determine whether that individual has any prior record with the welfare system, not only on the AFDC program, but in the food stamp program, the social service program, or if they aare receiving an SSI grant from the Social Security Administration.

By utilizing cross-checking through the alphabetical file, we are able to determine whether there is information already in department files that would influence the approval of a grant or indicate that additional investigations should be made. After an application is received, we use the file to periodically determine whether applications have been pending more than the approved period of time, with the worker getting a message that lists pending applications overdue. The supervisor gets a message where the worker has not responded.

Messages are generated by the computer to show when cases are due for the next periodic review and the supervisor gets messages when the review is not performed. Cases in the caseload having profile characteristics similar to cases with errors from the AFDC–QC are identified and reported to the worker.

The supervisor, of course, gets exception messages when the worker has not taken proper action as well as exception messages on particular recipients or particular workers where administrative attention is indicated.

We use the centralized file to exchange data with the employment security commission to determine whether the wages reported to us by a recipient are the same as the employer reported for that same individual under the employment security law.

The file is used to exchange data with the Social Security Administration on title II and title XVI benfits, and a message is created to the worker if the amount shown by the recipient to that worker is different than what is in these other files.

As a byproduct of the management information system, we provide a check and medical eligibility card to the recipient. This is accomplished as a byproduct of the data that is being maintained.

If the case is eligible for food stamps, the computer generates the food stamp authorization to purchase, or in those instances where they have authorized us to withhold the purchase requirement from the check, we mail the stamps automatically without any more intervention of the local offices.

Data on file permits the computer to print information for the current Federal reports. We recognize that a better method of providing these statistics to Washington would be an abstract of the file with the pertinent information that the Federal Government needed for accountability and planning. This could be on either a sampling basis or as a total file. We would be prepared to do either, but a mechanism in the Federal Government would be needed to accumulate and analyze the data.

At the moment, the National Center on Social Statistics has been studied by an advisory committee and a consulting group. I served on that advisory committee. The report will point out deficiencies in the compilation of social statistics for the country.

Senator MOYNIHAN. The National Center for Social Statistics?

Mr. McDermott. The National Center for Social Statistics, which was a part of the SRS group that was dissolved. That national center had a very limited staff——

Senator Moynihan. It is no more?

Mr. McDermott. Under the reorganization, it is no more. HEW is trying to make the determination as to where it should be located.

Senator Moynihan. It is somewhere around.

Mr. McDermott. Apparently it has been dissolved, and the functions put in the program area.

The committee is urging, and I would personally urge, that HEW reestablish with a much stronger base someplace in HEW that organization. It should be in the Secretary's Office, or very close to the Secretary's Office so it could cover all of the programs.

Senator Moynihan. Something should be done in the Secretary's Office after this performance; the administration came before the Congress and proposed a startling innovation in social policy, a brandnew scheme for subsidizing adoptions which 43 States are already doing suggests that something should be done.

Mr. McDermott. I would defend the Secretary and say that the mechanism has not been in place before to feed him the information. I recognize that is a management deficiency. There ought to be now established a good mechanism.

Senator Moynihan. Under the Secretary's new powers, he would be free to organize?

Mr. McDermott. That is correct. They haven't had enough people before, but they also need a management information system that would feed that data in a useful form.

Most States have not had the capability to properly provide this information on a uniform, valid basis. I think the States are partly at fault. By the same token, it has not been given proper emphasis at the Federal level.

The second issue that I think the States would like for this committee to consider to improve administration is the policy laid down by the Office of Management and Budget in 1969, OMB Circular A–87 adopted by DHEW as regulations in 74–4. Those regulations treat State and local governments under grant-in-aid programs differently than they treat the private sector in the ownership of buildings.

If a building is built with revenue bonds by the State of New York, and utilized in the welfare programs, the reimbursement for the State of New York is limited to a use allowance of 2 percent of the value without regard to the interest or the cost of land.

If the State of New York needs a building for that same purpose and rents it from Guaranty National Bank, the reimbursement is for the full cost of the rent and operation of the program without regard to what goes into making up these costs, as long as it does not exceed the rental for a comparable building in the same locality.

What has happened in some States is either, one, the States are not providing updated space or better space. This has the effect of providing bad working conditions and, consequently, handicapped good administration; or in other States, they have chosen to rent space and never will achieve ownership.

The statement proposes legislation that would permit States to claim Federal matching up to the same level for publicly owned buildings as if the buildings were privately owned.

Senator MOYNIHAN. Is it your view that legislation is necessary?

Mr. MCDERMOTT. It is not my view, but we have been trying since 1970 to get a change and it has not occurred. I think OMB could change it, but it needs to get high level attention. At this point, it has not been done.

Senator MOYNIHAN. I think we will ask OMB for their opinion on this matter.

Mr. MCDERMOTT. The other area that I wanted to speak to you about was about the work training program that Senator Bellmon earlier spoke about. We have, in Oklahoma, chosen to implement a voluntary work program. That voluntary work program is not in violation of the Federal regulations, because we could only ask those persons who voluntarily want some work experience to come in.

During a 15-month period from July 1975 to September 1976, our department was instrumental in assisting 8,250 individuals receiving aid under the AFDC program to go to work. Of those individuals, 3,750 had sufficient income to close their case and become self-supporting. One of the components of that effort was a work experience program operated on a voluntary basis by the State to supplement WIN and other programs. The voluntary State program placed 1,796 individuals during the 15-month period, with a total of 360 employed and 331 still in training.

The WIN program component, during the same 15 months, with 2,195 placements, closed 1,241 cases, for slightly more than a 50-percent average. The voluntary programs did not quite achieve, during that period, a 50-percent average, but the voluntary program was at a very low cost, since the only additional cost was $5 a day for work-related expenses and the cost of day care. The voluntary State program was for individuals where WIN could not provide an appropriate slot.

We would suggest that it would be in the public interest to provide an alternative program, not to replace, not to do away with the WIN program, but an alternate authority for the States to operate a work training program.

Senator MOYNIHAN. Reactivating section 409?

Mr. MCDERMOTT. Yes. And provide some funding. I recall my West Virginia days when we had the largest title V program in the Nation. We had 12,000 participants. We were the first State in the Union to implement it—and with the combination of section 409 from March of 1963 to June of 1968 when WIN replaced the old 409 and title V, we reduced the AFDC caseload from 37,000 cases to 22,000.

Consequently I believe very strongly in the welfare departments having the authority for placement of individuals in public service jobs, as long as it does not result in slave labor. This authority should be supplemented with funding to provide adult basic education and high school equivalency to get recipients ready for more advanced training. The ability to read and write sometimes permits or motivates an individual to find a job.

Incidentally, during that 15-month period the AFDC caseload decreased 1,914 cases, including approximately 7,500 individuals.

Thank you, Senator, for permitting me to give my testimony.

Senator MOYNIHAN. You should know that your reputation precedes you, sir. The Oklahoma Quality Control is certainly one of the most exceptional that we have in this Nation, and would that there were more like it.

Hopefully, from some of the things you said this morning, there will be.

Shall we go on to hear Mr. Dixon, and then we shall have some general conversation?

STATEMENT OF WAYNE E. DIXON, ACCOMPANIED BY MARIO V. CROCETTI AND RICHARD A. STEWART

Mr. DIXON. Thank you, Mr. Chairman.

We have provided a written statement. I wish to address a few brief comments in support of section 114 of H.R. 7200 that promotes the coordination between welfare programs. We would like to nominate the aid to families with dependent children as the focal point, since it provides more than half of the eligible persons for the medicaid program, the social services programs and for the food stamp programs.

In the case of medicaid, it provides eligibility for about 30 percent of the dollar expenditures.

Senator MOYNIHAN. Thirty percent of medicaid dollars comes from the AFDC list, which is an automatic crossover into eligibility.

Mr. DIXON. Within a year, about half of the medicaid recipients are AFDC recipients.

If public welfare is simply too big and too complex to be managed any better than it is now, when the quality control system draws a random sample on a 6-month interval, they would find errors are random occurrences in the system.

It does not find errors to be random whatsoever. There is a popular belief that the billions of dollars each year in mispayments in welfare really go to a very large number of families who really need this little bit of extra subsidy to their very low welfare payments. That is simply not the case.

Roughly 80 percent of all AFDC and resulting food stamp and medicaid mispayments go to approximately 10 percent of the AFDC caseload.

Senator MOYNIHAN. That is a number. Finally, we are getting some numbers.

Mr. DIXON. We do have numbers.

In terms of dollars right now, I believe the best judgment that we can provide on the measured AFDC errors is about $800 million a year. The resultant errors directly from the AFDC errors in the Food Stamp and Medicaid programs are in the neighborhood of $2 billion in addition.

None of these appear on the reports that are released by the separate agencies.

Of the 80 percent of all the known welfare errors we'll use the term "welfare" for AFDC and resultant food stamp and medicaid errors—that are going to 10 percent of the cases ,at least 80 percent of this amount is directly the result of fraud of three specific types.

The first has been discussed somewhat on a couple of occasions earlier. It is the instances where the absent father—the declared absent father—is actually living in the home.

There is some discussion, because there are a number of States who do not have unemployed father programs, that this type of fraud may be caused by the necessity for a father to leave the home to get his family on welfare. This is totally contrary to the data that we have readily available.

In such cases, virtually all of the errors—probably 96 to 98 percent of those errors in the country—occur in States that have unemployed father programs. The reason the family, therefore, is ineligible, is that the father is working full time or working sufficiently to render virtually every family ineligible for AFDC.

The second error is really a category of error. It is the error of concealed income, where somebody is working receiving unemployment compensation, or receiving child support payments, and has reported to the agency and signed on the proper form that they are not receiving income from that source.

Senator MOYNIHAN. That is fraud.

Mr. DIXON. There are signed statements on these.

In our data analysis, we have rather strictly defined fraud as opposed to errors of misrepresented or mishandled information. If the agency is aware that a person has reported $30 a month in child support and, in fact, they are getting $300 a month in child support, we are not counting this in the category of concealed. Probably, this could often be considered fraud, but the agency did know that there was child support, did have information as to the contributor, and could have verified the amount.

The third major category or area has been the subject of some discussion in New York—I have not heard anything lately on it. It is where the child is either nonexistent or where the child was in the family and has moved from the family and the parent has declared that they are still living in the household on the signed documents supplied to the welfare agency.

This would often exclude cases where the child is living 2 weeks out of the month with the grandparent, and it depends when quality control happens to investigate the case as to whether the individual is ineligible.

I might add that another major error is WIN registration, and we have appended a discussion of the work incentive problem in addendum A. That is a major contributor to the count of errors. When the WIN mother does not register, it simply means that she is ineligible. So if a mother of three children fails to register for WIN, she is counted ineligible, but not her children.

As we point out in addendum A, by her not being registered by the agency, by the agency not fulfilling its responsibility, there is considerably less chance that she might become employed; where the

children are over 15, and they are not registered, again, there is much less chance that they would become employed.

Certainly the WIN program does not register and does not gain employment for every individual, but certainly one individual becoming employed provides cost-effectiveness for carrying a large amount of additional people waiting in the wings for the job to occur.

Now with regard to the 80–10 breakdown of dollar errors versus cases: I think that the many small error contention has been raised in the past to prevent repressive measures against getting people off welfare for some minor technical reason. Families who are totally dependent on welfare do not cheat. The evidence is overwhelming.

The families who have no means of support other than the aid to families with dependent children program and the resultant food stamp and medicaid programs simply do not commit fraud. If I were a sociologist, I might draw the conclusion that they avoid doing this because they are afraid that they will be caught and removed from support.

This is a simple and incontrovertible fact from the quality control data.

Senator MOYNIHAN. Could I interrupt to ask what area the quality control system covers, sir?

Mr. DIXON. Nationwide.

Senator MOYNIHAN. This is the data you have taken from these findings?

Mr. DIXON. January to June 1976.

Senator MOYNIHAN. That is very important. The truly dependent family does not cheat.

Mr. DIXON. That is correct, sir.

Senator MOYNIHAN. If you were going to go out looking for cheaters, you would not find a mother alone with three children and with no alternative except the care that the community can provide. If you want to be an economic rationalist, you might say that her situation is such that she cannot take the risk of getting caught for fear of what might happen.

Those who take the risk of getting caught are those who, if they get caught, have something else on which to fall back anyway. They are, in fact, fraudulent and are not entitled. They are not entitled because they have other resources.

That is the way people are said to behave. I do not know if it is the way they behave, but it is a model.

Mr. DIXON. This is only one aspect of this situation. Many, if not most, errors, incidence of errors, occur in cases that do have some sort of income other than AFDC or who have other people living in the household, shared household, a grandmother on social security or some other situation.

Contrary to some popular belief, about one family in four on the AFDC program has some other source of income.

Senator MOYNIHAN. Certainly.

Mr. DIXON. A smaller percentage than this, maybe 15 percent, have reported earned income to the agencies; in the large cities roughly half of these cases have errors, generally small errors, but nagging errors.

The few errors that Oklahoma does have are mainly in the area of keeping up with changes in income that the client is experiencing.

Two other major categories contribute to the true number of families with earned income. One, of course, is the concealed income fraud cases including absent fathers, and the other are cases that have had income in the past, generally incapacity cases and the unemployed father cases. Perhaps when we get all of these together, a fourth of the cases have had recent work experience or are currently working and reporting it or are currently concealing earned income from the welfare department. I will get back to this point in a few minutes.

We are presenting three recommendations that we feel will require congressional initiative to be implemented. The first is to develop a model AFDC system that encompasses not only the computer systems like Oklahoma has—a very fine example—but the management controls, the caseworker controls, that make the system work in less than ideal situations.

The least ideal situation is, of course, a very large city. Chicago, New York, Detroit, and Philadelphia, and Washington, D.C., are some of the major problem areas.

The need for a model system, the very basic need for a model system is the fact that two out of three AFDC cases in the country have no income other than AFDC and have no other persons living in the household to confuse the budgeting process.

Some States run as high as 82 percent. Some States, like Minnesota, have less than half that are in this category. These are the single-family units, probably 90 percent consisting of a mother with one to so many children with no other person at this address.

The average welfare application and redetermination form in the country is eight pages. If you took the names of the children in the family and added two questions to the form, you could probably do away with 7½ or 7¾ of these pages.

Did you have any other income last month other than your AFDC check? And, has anybody other than the people named moved in or out of your family in the last month?

Senator MOYNIHAN. If the answer is no then leave the form there.

Mr. DIXON. States traditionally collect all of the data each time. I think perhaps there may be well-placed intentions to catch the client. Maybe the client does not reveal something the first time, but on the 6-month redetermination they reveal this data. What happens when the State sends its redetermination form out to a client and the client completes and sends it back is that the caseworker or case technician retrieves the most recent eight-page form from a prior period and goes through the two, like this, [shows simultaneous scan of two forms].

They can carry on a conversation with two people, or maintain a bridge game, whatever, at the same time. They compare data to detect errors.

The grant, in many States, is being computed on a machine. The machine computes the grant based on data. A comparison of this person's declaration, this eight-page declaration, most of which is blank, is not made from the form, but what the computer is using

to compute the grant. It is perhaps compounding the mistake of omission that was made in scanning a previous declaration.

We feel that with a huge number of cases fitting into this category, some excellent up-to-date management techniques can be applied to greatly simplify the operations on these cases.

Another problem that is associated with case complexity is at the other end of the scale. Two-thirds of the cases are very simple; perhaps a tenth of the cases are extremely complex. They have in-laws living in the home, extremely complex family arrangements, and are often in a minor category of assistance: unemployed fathers, incapacity of parent, or death of parent. Such eligibility factors normally involve complex State policy compared to the unwed mother or a simple desertion or divorce case.

We feel that the model system would accommodate the fact that these cases are infrequently used, and would permit smaller caseload assignments to specially trained workers. If you are handling incapacity cases, there is a medical reason; medical certification is required, for example.

We believe that there ought to be specialization within the agencies—many agencies do this, though in many small agencies, it will be impractical to do this. If you have two caseworkers, it is difficult to specialize in five areas.

However, in most large cities, as far as incapacity cases go, one caseworker might have one or two or maybe three cases of this nature. In most manuals, it is a whole section of separate policy exceptions.

The second recommendation is based on the fact that many States have excellent ideas and excellent error control components in operation now. The State of California, for one, has reduced the impact of many major errors down to the point where it may no longer pay to search for them. They have repressed them completely.

Often, the States have used computer technology in many areas. One of the major problem areas is coordination with the unemployment compensation program. I would give you an example: With two-thirds of the AFDC cases in the country having no income other than AFDC whatsoever and no other persons living in the household, would it not be interesting if the unemployment compensation computer system found somebody using the same address, getting unemployment compensation benefits, or accruing unemployment credit because somebody at that household was working?

It could be the absent father that is indeed living there, the absent father might be drawing unemployment compensation, or the mother might be concealing income.

Senator MOYNIHAN. With unemployment compensation, you would have just the name, but you would not necessarily have the social security number, would you?

Mr. DIXON. The unemployment compensation files in the major States have the address of the recipient. Quite often they have to use this to assign caseworkers to the unemployed. Information goes beyond the unemployment compensation benefits being paid.

We feel that there are enough of these good examples in operation in the States that could, if they were proliferated with guidance and

with funding of which States never seem to have adequate amounts, to implement these highly cost-effective changes nationwide.

We feel that some of these changes should be mandated. Another problem has been in the news lately. We feel that it is incumbent upon the welfare department to at least check the social security numbers of each person receiving AFDC against the employees of the welfare department and against all of the food stamp recipients, whether they are public assistance or not; against all of general assistance, unemployment compensation, and medicaid.

We believe that there are some direct steps that should be taken that are not being taken now. We believe that we have the data that shows that it would be nationally extremely cost-effective.

The third recommendation has been touched on by other speakers; I will not dwell on it. That is the transfer of the entire quality control function to the HEW Inspector General's Office, and to mandate it to search out all kinds of error from all sources and report them as an aggregate total.

This total error would include agency errors, client errors, fraud, agency misfeasance, malfeasance, and nonfeasance errors, provider fraud and abuse, and many of the slippage errors that are not recorded now, as in the case of lost and stolen welfare checks that are replaced.

In one agency, 2,000 out of 55,000 AFDC checks were reissued each month.

No effort was being made to find out if the same people lost their check from one month to the next.

They did not know if both checks for a case were cashed, because this procedure is not requisite in the quality control system. It certainly would turn up additional errors.

We do not know if they were cashed by the same person, or if the first check was destroyed. We do not know whether the Federal financial participation was claimed on the first check even though it was not cashed. Even though the first check was destroyed and a duplicate issued, FFP was claimed for both checks. Not now a reported error.

I believe that the mandate to find errors of all types, including the ripple effect errors in medicaid, food stamps, and public housing programs that do not reverify eligibility when a person is on AFDC, would probably triple, or perhaps quadruple the current estimates of AFDC errors.

We feel that this is necessary in order to provide a basis——

Senator MOYNIHAN. Would you say that again? Periodically there is a recertification required, every 6 months?

Mr. DIXON. A reporting by the States.

Senator MOYNIHAN. Would you say again what you just said?

Mr. DIXON. We believe that this function, the control over the individual QC review process and the reporting process and most importantly, the standards by which cases are reviewed, making sure that all of the Federal standards are applied with an idea of finding all errors in all cases—we believe that in accomplishing this that the total dollar errors above those that you see reported in the news would at least triple. The new amount would be between three and four times what it is now.

Senator MOYNIHAN. I see. To make sure that it is done, and to do it more rigorously.

Mr. DIXON. Many of the errors there are simply not being sought and reported.

Senator MOYNIHAN. This is an area of opportunity.

Mr. DIXON. An example, in order to tie several of these things together, that really does not become an agency error, really not a client error, really not fraud. With about a fourth of the cases of AFDC, some 800,000 or so cases, there is either currently reported income, concealed income, or previously apparent recent income because of incapacity or unemployment.

In examining the requirements in the State plans for AFDC and medicaid, it is unclear as to the responsibility of the State AFDC agency, when they are finding out how much somebody is earning, to find out if the employer has health insurance available to the employee. If that employer does have health insurance, it should be referred along with the automatic eligibility for medicaid, to the medicaid agency so that when medicaid bills come in, the first step is to establish third-party liability with either the current employer or the most recent employer's insurance.

This mandate does not exist in reality, and the resultent error in medicaid is certainly in the billion dollar magnitude. The requirement is simply not there. Within medicaid, the third party reliability, of course, it is required. With the cases that automatically gain their eligibility for medicaid from AFDC the linkage usually does not exist.

In several of the large States with which I am familiar with, it does not occur.

Senator MOYNIHAN. It is beginning to approach 1:30. I think this hearing had better come to an end.

May I say, Mr. Dixon, that your testimony and proposals were extraordinarily helpful. We will look at them in terms of legislation, or possibly regulation, and with great care.

Mr. McDermott, your testimony was fascinating. One of the most important things theat we have heard; I do not conceal my long-held conviction that the social welfare world is afraid of information because it is afraid of what will be found out, and it is characteristic of a Cabinet department, representing the administration, to have come before the Congress and propose a program in what could only be called ignorant bliss—no facts, no figures, no information, no nothing.

Mr. MCDERMOTT. I would like to leave with you one of our department's monthly statistical reports and the annual report of the department. Both reports are distributed widely. This will show you the kind of data that comes from a fully operational management information.[1]

Senator MOYNIHAN. We will include it in the record.

Sir?

Mr. STEWART. I would like to make a couple of comments in support of Mr. Dixon and Mr. McDermott. My area of specialty is not welfare but management of data and data systems, and I think, having con-

[1] The annual report was made a part of the official file of the committee.

sulted in work in several States, that there is a lack of data, lack of coordination of data, and, more than that, a lack of really an interest in maintaining it. The kind of thing that Oklahoma is doing, North Carolina has done some things in that area, and others, in trying to build master files that talk to each other so you can maintain all of the information is very central to ever sorting out this kind of a problem.

Senator MOYNIHAN. Clearly.

In particular, I would like to thank Mr. Dixon for his observation that the clear anxiety to try to regulate this program very equitably would somehow to be punishing people and punish perhaps the people most in need.

What do you find out? You find out that people who are genuinely eligible do not cheat the system at all. People who are not vulnerable, who can afford to take the risk, give a bad name to everybody in the system.

If you have the energy and the openness, you gentlemen are really management and mathematicians rather than social welfare workers, if you say, I will look at it, show me the numbers, I will see what I can find out, you will find out something very important: That the people who need the system do not cheat on it.

Mr. CROCETTI. What is tragic, since you are fond of arithmetic, if you count out the resultant errors that are never reported and the fact that there are total categories of disregarded errors in these programs, we are really talking 50 cents on the dollar or a little less going to meet the intent of the law. That is not very good.

Senator MOYNIHAN. 50 cents of the dollar goes to the intent of the social welfare laws.

Mr. CROCETTI. You could give a big raise in welfare benefits throughout the country without feeling fiscal pressure and provide for a lot of things which we now don't provide if we could clean up some of these conditions. Obviously, it is not going to happen overnight.

What frightens me is we are talking about welfare reform, and we have not identified the problem yet, certainly not the ripple from program to program. It really has not been pursued.

Are we going to reform the system, or are we going to perpetuate it by not knowing what the problem is?

Senator MOYNIHAN. That is the note on which I would like to adjourn these hearings.

I want to thank you gentlemen. We have learned a great deal. We are not at the end of our exchange. Let us see if we cannot interrogate each other in person, or by machine.

[The prepared statements of Mr. McDermott and Mr. Dixon follow. Oral testimony continues on p. 498.]

PREPARED STATEMENT OF CHARLES F. MCDERMOTT, COMPTROLLER, OKLAHOMA DEPARTMENT OF PUBLIC WELFARE

Mr. Chairman and Members of he Committee, I am appearing here today as Comptroller of the Department of Institutions, Social and Rehabilitative Services in Oklahoma. The Department is also known as the Department of Public Welfare. The organization of the Department is such that it would fit the definition of an umbrella agency. Among its many responsibilities is the administration of the AFDC Program. I would like to recommend for the considera-

tion of this Committee three proposals that I feel would improve the administration of the AFDC Program. Those proposals would involve increased funding as an incentive for the states to provide Management Information Systems, better working space for employees, and an optional approach to a Work and Training Program.

MANAGEMENT INFORMATION SYSTEMS

In the administration of the AFDC Program, Oklahoma has made extensive use of computers to ensure the integrity of its payments while, at the same time, simplifying the case management.

In order to understand our manner of utilizing the computer, I would like to refer you to the fifth page of Attachment 1,[1] which shows the Department's approach to a Management Information System. Around the perimeter of the circle are the various data maintained in order to carry out the functions of the Department. The inner circles show the extracts from that data base to assist the supervisors in their responsibilities. As the computer processes data, transaction files are maintained that will permit reports to be made about activities by an individual worker or by an individual worker or by an individual recipient and, by exception, the supervisor is advised of matters requiring supervisory attention. To be specific, in the administration of the AFDC Program, there is a requirement that action on an application be taken within thirty days. When the application is recorded, a computer file is set up with all the data that is known about a case at that time. and the computer file shows that the case is in "application pending" status. If the application has not had a disposition within the prescribed period (i.e., thirty days for AFDC), then the upervisor is given a notice of applications pending over thirty days and they take action to see that the worker immediately makes a proper disposition of the application. Messages are created for the worker carrying the case after it is opened. When it is to be re-determined, as required by the regulations every six months, failure to have re-determined it on that basis will result in a message to the supervisor pointing out that a re-determination is overdue.

As actions are recorded on a case, the computer subjects that data to edits and those edits are such that only valid actions can be taken. All data is subject to a validity check, and any information that does not pass the validity check results in a message going back to the proper county office for the case to be re-examined and the proper data recorded. To illustrate how this works, a case cannot be opened if the total of the resources exceeds the maximum allowed by the State Plan, and by recording each type of resource, we can check on an individual type of resource against the State Plan, as well as the total value of the resources. The same determination is made by comparing the income from the various sources against the maximum permitted by the State Plan. The computation of the grant amount is made automatically by the computer by comparing the number of individuals reported as being in the grant with the individuals listed on the Case Information File, and then consulting a table to record the amount of the grant. From that computation, there is subtracted the other income and a net amount determined, which will be the amount of the warrant.

The various income items are classified by their source, and this permits the following cross checks:

1. Exchange of data files with the Employment Security Commission in our State to compare the amounts that have been reported by employers with the amount reported by the recipients. The eligibility worker investigates differences. Our Employment Security Commission is on an income-reporting basis from the employer, which makes this exchange possible. Employees of the Employment Security Commision use this information to compare with unemployment benefits being paid, and investigation is made if an individual is receiving unemployment benefits while at the same time receiving welfare benefits.

2. Data is exchanged with the Social Security Administration in Baltimore to validate the amount of OASDI being received by an individual eligible for the AFDC grant. The same kind of check is done for any family member to determine if they have qualified and are receiving Supplemental Security Income (SSI).

[1] Attachment 1 was made a part of the official committee file.

3. Veteran's benefits from the Veterans Administration are validated outside the computer system; however, as Congress enacts increases in VA benefits, the file is updated by the percentage increase, or the case is referred to the worker for further investigation as to the amount of increase. That procedure is also followed for pensions and Bureau of Indian Affairs income.

4. We utilize the AFDC data base to make referrals for child support to verify the amount of child support collections that should be made. Failure to follow the required procedures in the Child Support Enforcement Program result in the case being suspended for payment until the necessary procedures are followed.

The administrative and eligibility staff of the Oklahoma Department endorses the use of computers, since their experience has shown the following results:

1. Better caseload management at the caseworker level. Rapid updating of records insures prompt service to clients, cutting down on complaints and inquiries. Caseworkers have current and accurate information at hand to insure close control of their client rosters.

2. Reduction of paperwork. One form replaces eight to twelve previously used to enter client records into the computer files.

3. Instant access to client records. Online inquiry capability enables Department personnel in the field and in state headquarters to check files at will by means of display terminals. Designed into the system are methods to ensure privacy on sensitive information except to authorized persons. Previously, manual records in Oklahoma City were not readily available to users.

4. Ability to compare data with that of other government agencies and other program areas. For instance, case records can be cross-referenced with Employment Security Department files to check eligibility of clients concerning their employment status.

5. Maintenace of caseload integrity. Information can be retrieved quickly to assure administrative bodies and the taxpaying public that outlays of funds are legitimate.

6. Speed of handling new cases. Because of timesaving procedures inherent in a computer operation, checks are sent out the day after a client's eligibility is determined.

7. Computer production of reports. Analytical data is available regularly to managers at various levels for prompt decision making.

8. Ability to react quickly to legislative changes. Under the old system, long periods of time were required to calculate changes in grants. Now, automated posting of changes affecting payments saves two days' turnaround time.

9. Better quality control. Money is saved by a sifting process to prevent duplicate payments. The system reduces arithmetic errors as well as errors causing policy inequity; because of controls built into the system, such errors cannot be propagated.

10. Message capability. The computer transmits messages during off-duty hours to inform social workers or rehabilitation counselors of details of their caseloads that require attention.

11. Faster determination of eligibility. Use of the system's master index shortens the time spent investigating new applicants by providing instant cross-reference of case information files.

To obtain maximum benefits from our computer system, we have established a very strong quality control staff. Members of that staff meet weekly with the administrative staff responsible for the operation of the AFDC Program. If an error is detected by quality control, the program staff move immediately to determine if cases with similar characteristics are present in the caseload. The result is that we utilize our system to identify cases to be referred to the county staff for further investigation. As an example, special attention is given to cases with earnings, with the centralized computer file utilized to provide messages to the counties on cases that should have further investigation. The combination of the strong quality control staff and the Management Information System has resulted in one of the lowest quality control error rates in the United States, which is even more dramatic when you consider that Oklahoma has AFDC cases from both urban and rural areas.

Oklahoma had the advantage of developing a computer system under a Federal grant under Section 1115 of the Social Security Act. We then utilized that same funding to assist other states in developing computer-based systems. We worked with the states of Texas, Minnesota, Colorado, Hawaii, Montana, and more recently, New Jersey. It is our experience that great savings in the

program dollars can be achieved by administrtaion that focuses on problem cases. To focus on those problem cases requires a contralized computer file, in order that the eligibility worker can sort out the potential abuse from all the other valid cases.

It is our recommendation that incentives to provide capability in administration be provided through increased Federal funding. The first attention should be given to Federal funding at 90 percent for development of AFDC Management Information Systems, and 75 percent funding for the operation of those systems after installation. Training of staff on procedures to follow up findings from the Management Information System and from quality control should be given increased emphasis to ensure that maximum results from both those activities are achieved.

In the past, there seems to have been postponement of this kind of incentives because of the various proposals to federalize the AFDC Program. Our experience in the conversion of cases to SSI would indicate that, regardless of the long-term welfare reform proposals, it would be to the advantage of both the State and Federal Governments to provide procedures to ensure the integrity of our present programs. If the states are to continue to administer the programs, either under the present funding or as an agent for the Federal Government, integrity in the administration could be achieved by building the capability now. If the Federal Government is to administer the programs in the future, it is obvious that they would be greatly assisted if the caseloads converted by the states to their administration are error free.

COST OF SPACE IN PUBLICLY-OWNED BUILDINGS

Prior to 1970, states were encouraged to provide better space. The Department of Health, Education and Welfare had encouraged construction of new buildings by permitting costs, including land and interest, to be charged, so long as the cost did not exceed the cost of comparable space in privately-owned buildings. In 1969, the Office of Management and Budget issued OMB Circular A-87. This was later issued as regulations under 45 CFR 74-4 by the Department of Health, Education and Welfare. The effect of those regulations is to require the states to finance most equipment from state funds and to treat publicly-owned buildings in a manner different than if the same space were being leased from private firms. If the space is leased from private firms, the Federal Government will provide Federal Financial Participation in the cost of the space, so long as it does not exceed the cost of comparable space in the community. If the space is in a publicly-owned building, without regard to how it was financed, the reimbursement is limited to a "use allowance" or depreciation, and no allowance is made for the cost of land or for interest. This same policy is not enforced upon the Federal Government in its own operations but has been imposed on State and local Governments. The imposition of this policy is having two effects .The first effect is that State and local Governments are contracting with private individuals for space and will never achieve ownership which, in the long run, does not promote economy. The second effect, which is even more damaging, is that State and local Governments are not doing anything to upgrade sub-standard space. This results in poor morale and inefficient operations.

The Department of Health, Education and Welfare has requested OMB several times to modify this policy. At this time the policy has not been modified, although some exemptions have been granted to individual states from the policy. In Oklahoma we are faced with an audit exception because we had included in our claim for Federal Financial Participation the total rental cost of a new building that we lease from the Oklahoma Capitol Improvement Authority, a quasi-public agency. We made that claim in good faith because we thought that a prior agreement ,as provided in the regulations, was applicable. The interpretation has been made by the HEW Audit Agency that it is not applicable, and they are intending to disallow all costs except use allowance and operating costs. That building was funded thr ugh the issuance of revenue bonds and the State is faced with the dilemma o. (1) providing State funds to offset the loss of Federal funds, (2) default on the bonds, or (3) sell the building to a private firm and lease it back. None of the options would appear to be in the public interest, and we would ask that this Committee give consideration to providing, by an amendment to H.R. 7200, a solution to this problem. As Attachment 2, I have provided language that I think would solve the problem and promote efficient administration of the program.

ALTERNATIVE WORK AND TRAINING PROGRAM

Much attention has been given to the need to provide a work requirement for individuals who are on the welfare rolls. The Work Incentive Program (WIN) was initiated in 1968 and has had limited success. I would like to recommend that consideration be given, while welfare reform proposals are being considered, to re-enacting Section 409 of the Social Security Act that was deleted in 1968, and to providing some funding for states to re-initiate Work and Training Programs for welfare recipients similar to the Title V Program of the Economic Opportunity Act. I would not see this as a mandatory requirement but as a device to permit states, who are concerned about those individuals not now included in the WIN Program, to provide work and training for the hard-core unemployed individual on our welfare rolls. The WIN Program is not operational in every area and does not give priority to the hard-core welfare recipient who has little training.

I have appreciated the opportunity to appear before this Committee. Thank you, Mr. Chairman.

SUGGESTED AMENDMENT TO PROVIDE FOR PUBLICLY-OWNED BUILDINGS TO BE TREATED EQUALLY WITH PRIVATELY-OWNED BUILDINGS

Consideration could be given to making it an amendment to title II of section 205 of Public Law 90-577.

Notwithstanding any other Federal law to the contrary, in computing allowable costs for grants and contracts with State and local government, cost of space in buildings owned by public or quasi-public agencies shall be allowed to the same extent as if privately-owned provided that once the cost of the building including the land and applicable interest has been liquidated in this manner only the cost of services and maintenance may be charged. Any costs previously claimed which are in conformity with this section shall not be disallowed.

PREPARED STATEMENT OF WAYNE E. DIXON, ACCOMPANIED BY MARIO V. CROCETTI AND RICHARD A. STEWART

SUMMARY

In support of Section 114 of HR 7200, the Aid to Families with Dependent Children (AFDC) program is nominated as the focal point for co-ordinating improvements to the nation's public assistance programs.

Although actual errors in public assistance programs undoubtably far exceed published estimates, many states have devised and implemented effective error control components to their welfare systems. Development of a 'model' AFDC eligibility system incorporating powerful management controls is strongly recommended along with financial incentives to states to implement such systems, and thereby obtain much greater control over fraud and other errors.

Without waiting for the development of the entire model system, certain controls should be immediately required to reduce the error impact of the most serious errors: computerized identification of cases with concealed earnings, concealed Unemployment Compensation benefits, and untruthfully reporting the father absent from the home when, in fact, he is living in the home, working full time, and causing ineligibility for the entire family should be required of all states.

As mentioned above, published estimates of errors in AFDC, Food Stamp, and Medicaid programs, currently at about $3 billion per year, do not reflect a vigorous effort to detect all errors of all types. The ripple effect of AFDC errors into the Food Stamp and Medicaid programs are an unknown quantity. We have recommended a number of technical and administrative changes to the quality control process to bring Congress and the Public a much more realistic assessment of the current problem.

STATEMENT

In Section 114 of HR 7200 the need for coordination between various welfare programs is stressed. It is our belief that the focal point of coordination should be the Aid to Families with Dependent Children (AFDC) program.

AFDC recipients are provided almost automatic eligibility to such other major welfare programs as Medicaid, Food Stamps, Social Services, and Public Housing. Indeed, over half the recipients of Medicaid, Food Stamps, and Social Services do so based on AFDC eligibility.

About one AFDC case in four has a payment error as of Quality Control reports released this month for the July-December 1976 period, and no significant error decrease from the previous half year was found.

[From The Washington Star, Wednesday, July 6, 1977]

1 IN 4 FAMILIES ON WELFARE IMPROPERLY PAID, INELIGIBLE

Government efforts to find bureaucratic blunders have reduced the mistakes, but about one out of very four families on welfare still is ineligible or improperly paid, the Department of Health, Education and Welfare says.

There was a 23.3 percent "error rate" in the nation's largest welfare program, Aid to Families with Dependent Children, for the six months ending Dec. 31, a HEW report said yesterday. The rate was 26 percent for all welfare cases a year ago.

During the period ending last December, HEW said, 798,600 of the 3.4 million families getting welfare aid were ineligible or paid incorrectly.

HEW has said previously that welfare agencies or social workers make 51 percent of the errors and recipients the rest. How much represents actual cheating never has been determined, but fraud prosecutions represent less than 1 percent of all cases.

The report said 5.3 percent of the 11.2 million AFDC recipients were ineligible, 13.1 percent were overpaid and 4.9 percent were underpaid.

The District of Columbia had the highest proportions both of ineligibles, 15.3 percent, and overpaid recipients, 23.2 percent.

Money spent improperly because of errors in the $10 billion a year program fell from $457.5 million to $423.4 million during the same period.

The federal share of AFDC spending averages 55 percent with states making up the difference.

"The result of three full years of federal and state efforts to reduce welfare errors has been a 48.5 percent cut in payment error rates and a cost reduction of $1.4 billion," HEW said.

HEW's original goal in the "quality control" effort undertaken Jan. 1, 1974, was to reduce welfare errors to no more than 13 percent of all cases by July 1975.

A federal court ruled last year in a suit brought by several states and counties that HEW's method of determining penalties for states falling short of the goals was invalid.

Virtually all of these AFDC errors cause additional errors in one or more of the programs where eligibility results from and benefits are computed based on the AFDC program. Some examples: A child who has moved out of the household but remains in the AFDC grant may result in a $45 overpayment in AFDC cash assistance, but also cause $30 in excess Food Stamp bonus to be authorized. An AFDC recipient who conceals her full-time job "automatically" gets a Medicaid card. If her employer has a health insurance program, Medicaid requires that the private insurance be exhausted and spend-down occur even if she qualifies as medically needy in the Medicaid program.

There were over 200,000 ineligible AFDC cases last year, with over half a million ineligible persons. Food stamp and Medicaid errors are unreported.

There are over a half million cases with some earned income budgeted in the AFDC grant, but no requirement in the state plan that such cases be referred to Medicaid so that private insurance is used before Medicaid begins to pay. Third party liability errors are unreported.

However, before any effective coordination of programs can be accomplished, the administration of the AFDC program should be looked at with a jaundiced eye to see to what extent the intent of the law is being followed. It is evident from analysis of the available quality control data and published studies placing the AFDC error rate at about 25% that there are some major administrative problems. Even more staggering is what is not published and to some extent not realized: that major categories of errors are not sought or included in the multi-billion dollar error estimates in AFDC, Food Stamps, and Medicaid.

From a dollar standpoint, the major significance may be in the rippling effect that spills over into other programs such as Medicaid and Food Stamps from the AFDC program.

AFDC AND SELECTED RESULTANT ERRORS

[Data in millions of dollars for 1976]

State	AFDC	Food stamp	Medicaid eligibility	Medicaid TPL [1]	Total [2]
California	$72	$13	$18	----------	$103
Illinois	107	24	35	----------	166
Massachusetts	48	8	20	----------	76
Michigan	85	21	19	----------	125
New Jersey	32	7	7	----------	46
New York	175	42	71	----------	288
Ohio	36	9	11	----------	56
Pennsylvania	58	9	17	----------	84
8 States [3]	614	133	198	$3,000	1,245
Other	285	60	89	150	584
Total United States	899	193	287	450	1,829
80 pct confidence range [4]	(880–1,500)	(190–400)	(269–380)	(300–600)	(1,630–3,880)

[1] Medicaid errors due to private insurance available to working AFDC recipients—Third Party liability.
[2] State line totals do not include TPL estimates.
[3] Eight states have 53 pct of all U.S. AFDC cases, 68 pct of all AFDC and resultant food stamp and medicaid dollar errors.
[4] Includes potential error sources not now sought by AFDC/QC.

An ineligible case receiving AFDC payments will automatically be eligible to receive Food Stamps and Medicaid, and while it may be counted as an error in AFDC, it will not show up as an error in Food Stamps or Medicaid. Certainly there would be significant upward revisions in the error rates of other programs if AFDC quality control were required to seek *all* errors and not just required errors. At the same time, improvements in the management, administration, and error rate of AFDC should have a most pleasant result on the bottom line dollar error amount for all programs.

There is a misleading view in some areas that the announced billions of dollars in welfare errors consist of a few extra dollars each month going to an enormous number of cases, based on little white lies about how much is paid for rent, or not reporting the child who stays most of the time with grand-mama.

In fact, 80% of all mis-payments are made to less than 10% of the national AFDC caseload! While dozen upon dozen of different kinds of errors result from complicated, confusing, and often conflicting welfare policy, only a few errors are involved in the 80% of the dollar errors going to 10% of the caseload: Cases where the father was declared "absent" by the mother, but where he was actually living in the home and working, was the single largest error. Full national implementation of the IV–D (Child Support) program should make a major impact on this error. Following closely in dollar impact is the concealment of earned income by clients. These two major error types also have the greatest impact on Medicaid payment errors, since the working father or mother frequently has also concealed employer-supplied health insurance, and establishment of third-party liability would reveal the error.

Other major errors from the standpoint of dollar impact are concealment of Unemployment Compensation, Retirement and Survivor's Disability Income (RSDI), Child Support, and Workmen's Compensation income. Failure to register the mother for the WIN program, resulting in over 80,000 cases, mostly in large cities, where the recipient's chances of getting a job and reducing the welfare rolls is significantly diminished because she has not been registered as required. Nearly all WIN errors are due to agency inaction, but also all errors mentioned above are due to this relatively small percentage of AFDC cases who have willfully misrepresented facts and have not been detected by the agency. Addendum A described the WIN/work registration problem in greater detail.

Over 95% of all welfare checks are printed by computers. This means that behind every computer printed check, there is an information system that maintains information (and often much misinformation) about each case. The scope of information stored on computers has grown uncontrollably with the advent of less expensive disk storage and the apparent need for acessibility of all sorts of client data. No national standards for the collection, storage, release, verification, reliability checking, or purging of obsolete data can be found. The federal approach to security of personal data is vividly described in the recent disclosure of lax security in the social security system.

[From The Washington Star, Thursday, July 7, 1977]

UNLOCKED COMPUTERS EASY FRAUD PREY?

SOCIAL SECURITY PROTECTION RAPPED IN AUDIT

Dozens of computer terminals sit idle, unattended and often unlocked at night in a huge office in suburban Baltimore.

Property of the Social Security Administration, the terminals contain confidential personal information on tens of millions of Americans. Yet they are easy targets for fraud, government auditors say.

"Security procedures and controls . . . were not adequate to prevent fraud and abuse or to assure compliance with the requirements of the Privacy Act of 1974," said the Department of Health, Education and Welfare audit agency report.

For example, the audit found almost half of the 69 terminals in the SSA headquarters were in areas such as large open rooms that could not be locked at night.

The computer's 2,200 terminals all over the country can be locked electronically to prevent unauthorized use. But auditors found 59 of the 69 terminals in the Maryland office were left unlocked overnight at least once in a four-week period.

The computer system contains records on the more than 27 million Americans who receive more than $81 billion annually in Social Security checks and Supplemental Security Income payments, including the amount of payments, family income and assets, medical histories and marital status.

Social Security employes use the computer system to process millions of new claims for benefits received each year. The system maintains records on all ongoing benefit payments under the various Social Security programs, including Medicare and disability payments.

"The weaknesses (in the system) adversely affected the SSA's capability to protect the integrity of its data and prevent a compromise of personal data retained in the program records," the audit said.

There were no cases of frauds or abuse found by the auditors. But they said they didn't look.

"We did not attempt to determine whether the system has been misused, but, rather, whether the potential for misuse existed," they said.

The report on the audit, conducted last year, gave a laundry list of the problems with the system, including lack of terminal security.

Reports on possible violations of computer security were too late to be useful and often were inaccurate.

Too many employes knew the passwords that give access to the personal information, when their jobs did not require such knowledge.

The computer programs designed to provide additional security were ineffective in blocking unauthorized use of the system.

Reps. John Moss, D-Calif., and Charles Rose, D-N.C., who made the report public, have asked for a General Accounting Office study of the computer system. The study is in preparation.

Many of the security problems were blamed in the audit report on a lack of attention to the situation by top officials.

The evolution of welfare computer systems over the past two decades has occurred with only one somewhat outdated, but still enormously effective effort to guide and direct states: the Medicaid Management Information System. While it is not really a system, but a set of standards and guidelines, we

believe that it also serves as a model for coordinating and bringing under control the AFDC program and its ripple effect on other welfare programs.

Individual state welfare systems are not all bad, surprisingly. Within almost every state system can be found highly effective components that could be invaluable to other states. We, therefore, recommend the establishment of a model AFDC management information system reflecting the current management and technical state-of-the-art. We believe that the excellent Medicaid policy of providing a 90% federal funding incentive to implement, and 75% federal funding to operate the "model" system would provide ample incentive for most states to voluntarily adopt such a system.

Scrutiny of the current level of implementation of some very practical controls in states indicates that many enormous gaps exist, again with no federal mandates, and little federal guideline or technical assistance other than stopgap capabilities that are not readily integrated into the regular processing procedure. It appears so logical that a large welfare agency would take some measurest o insure that its own employees were not illegally on welfare, yet there is no requirement for the state plan that a welfare agency with a highly sophisticated computer system even match social security numbers with its own payroll file run on the same computer, to diminish the change of such simple fraud. We recommend that a number of relatively simple, logical, and potentially highly cost-effective control measures be implemented in the near future by federal mandate. It must be emphasized that many of the states have many of the individual controls in operation, and would not be the least bit affected by the requirement for these controls.

[The Washington Star, Friday, April 16, 1976]

WITH $135,000 MISSING, GRAND JURY SUSPECTS 'RING' OF WELFARE WORKERS—

(By David Pike)

The eight-month grand jury probe into fraud by District welfare recipients has been expanded to include an investigation of possible siphoning off of funds by employes in the D.C. Department of Human Resources.

Government sources said yesterday that three DHR employees who are the current target of the investigation will be called before the federal grand jury within a week or 10 days.

Investigators are trying to learn whether the three have been engaged in "some kind of ring" of employes who have been taking welfare funds, sources said, adding that investigators believe at least $135,000 may have been taken so far.

KELLON JONES, chief of the Court Referral Branch of DHR, yesterday confirmed that DHR employes are being investigated in addition to the ongoing probe of welfare recipients.

"We hope to break up whatever wrong has been going on," said Jones.

The grand jury probe of welfare recipients, which has brought two indictments so far, yesterday resulted in a sentence of 6 to 18 months in jail for a Takoma Park woman.

That case and others have sparked broad publicity and, possibly as a result, a number of recipients recently have withdrawn voluntarily from the welfare rolls, Jones said.

"We are investigating even those, because we want to find out why they are withdrawing. It could be that the economy is better, but you never know," he added.

Jones said that the jail term given by U.S. District Chief Judge William B. Jones to Johnnie Mae Cooper, 41, of the 6700 block of New Hampshire Avenue in Takoma Park, should help the investigation.

ASST. U.S. Atty. Richard L. Beizer of the fraud section said he believes Mrs. Cooper's sentence was "proper under the circumstances" and "would serve as a notice that the court, the U.S. Attorney's Office and DHR will move to punish fraud perpetrators not only for their own misdeeds but as a deterrent to others."

Beizer said his office currently has seven cases under investigation, including fraud by DHR employes, and that the amount of welfare funds taken in some cases was believed to range as high as $20,000. Beizer characterized fraud in the welfare system here as "massive."

Mrs. Cooper, who pleaded guilty on March 5 to a charge of false pretense, had been charged with illegally receiving about $10,000 in welfare payments over the last 2½ years from the District and Montgomery and Prince Georges counties while employed at the Bureau of Engraving and Printing.

Jones, who could have sentenced Mrs. Cooper to as much as three years in prison, issued a stern lecture in which he noted that Congress has been looking into welfare programs because of similar reports of cheating.

"People like Johnnie Mae Cooper have not only had the advantage of government largesse, but they undermine the confidence of public officials in the welfare system to the detriment of the worthy poor," Jones said. "Probation can't help her or the worthy poor. . . . It would be an invitation for others to go and do likewise."

Mrs. Cooper, who has two young children and has been taking care of a year-old grandchild, was immediately committed to jail by Jones despite a plea by her attorney for freedom over the Easter weekend. Mrs. Cooper's husband reportedly will take care of the children while she is in prison.

Beizer noted that the families of welfare cheaters often suffer when a jail term is imposed, but he added: "The time to think about the effect on the family is not at the time of sentence but when the crime is committed. The family situation should be considered at the time of that deliberate step to falsely fill out the welfare forms. . . . This sentence should serve as a warning to think about that."

Some of the recommended changes to the State Plan requirements involve definitions and rules, other involve more sophisticated computer techniques in which the federal government should develop "model" systems and computer programs, and supply the technical assistance to the states to effectively implement them. An example of the former would be the requirement that in all cases where the case record indicates that someone in the grant has earned income, the AFDC program is responsible for finding out if the employer has a health insurance program. If so, the Medicaid program would be required to conform to federal policy for establishing liability. Over a half-million cases would be affected nationally; the potential savings to the Medicaid program are in the magnitude of a billion dollars each year.

An example of the technological control would be the fact that over $100 million in AFDC was paid last year to cases in which the family also received Unemployment Compensation (UC) and concealed the fact from the AFDC agency. This estimate, however, is based on quality control checking by often unverified social security number. Consider the following: two out of three welfare cases tell the agency that they have no income other than AFDC, and no person other than the mother and children are in the household. Suppose a comparison with the Unemployment Compensation file showed that someone using that address was getting UC benefits or was accruing UC credit because an employer was contributing on behalf of a person at that address. It could indicate concealed UC, concealed earnings or the "absent" father living in the home, in the magnitude of hundreds of millions of dollars.

An example of a more complex problem/solution is based on the fact that nearly 30% of all AFDC cases are not recertified within the required six month limit. This is not reported as an error by QC. In at least 40 states, the cases with overdue redeterminations have a significantly higher dollar error impact than those in which the redetermination is "current." Whether the client actually expects the case to be closed by not completing the redetermination form or the agency didn't even assign the case to a worker, the following changes to the State Plan requirement are recommended:

1. If QC draws a case with a redetermination more than 30 days overdue, it is counted as being ineligible for Federal matching funds.

2. If a redetermination form is mailed with an AFDC check, the check is cashed, and the form is not signed and returned within ten days, the agency is required to send a case closing notification by certified mail describing the right to appeal within ten days.

Obviously, this solution requires close coordination between management and technical support staff.

From the standpoint of the benefits of interprogram coordination, it should be noted that few of the larger states with the highest error rates even check to see if an AFDC case getting those "automatic" Food Stamps is also getting them as a non-public assistance family.

In our analysis of AFDC quality control data we have uncovered dozens of individual isolatable problem areas that reflect the effect that the current, uncoordinated, decentralized, and inadequately monitored AFDC program provides. For example, large cities generally have major satellite offices. In one local office with about 8,600 AFDC cases the average case had an estimated $184 per case per month in AFDC and resultant Food Stamp and Medicaid error! In this office alone there were an estimated 1,000 cases of concealed RSDI (Social Security) income in cases that were on AFDC due to the incapacity of the parent, and, in which the family was transferred to RSDI but not removed from AFDC.

In another local office within a large city, 1,200 out of 27,000 cases were found to be ineligible due to the "absent" father being found not only living in the home but working full time.

In another large city, where one out of forty cases was selected randomly for review by QC four of the twelve sample cases were found to be unwed mother cases who had moved out of the city but had remained on AFDC for at least a year as of the review date.

In asking why the management of AFDC has not kept up to the demands of the program, we could look at the number of factors.

The rapid growth and myriad changes to the program.

The decentralized nature of the application processing of the AFDC program (as opposed to Medicaid where centralization is common).

The lack of major technical efforts to assist in the management of the program like the SUR and MAR controls in Medicaid.

That is not to say that there has been no technology applied to AFDC. In fact, most states have some technological application for AFDC even if only automated check writing. The lower volumes and diffuse nature of local welfare offices has allowed for a lag in technical development such as are found in Medicaid and Medicare. While technical development has not been a ready answer to all evils in the past, because of sheer volume it has proven a necessary one.

A number of improvements to the AFDC quality control system are also recommended. About ten data items out of 40 odd (Addendum D) appear unproductive in describing national or even state error profiles, and should be deleted.

The need for the first recommended change is occasioned by human nature. Those administering the various quality control systems are themselves judged by Congress, their superiors and the public as to how much the error rates decline. The authority to direct and oversee the QC sample review process should be moved to the HEW Inspector General's control, and the program be charged with finding all errors of all types and reporting them rapidly to Congress and the public. Under the current set-up, the July–December 1976 AFDC QC results were released early this month, even though 95% of the data was "final" on February 1, 1977. This would allow management to avoid the compromising position of being both the caretaker and watchdog for the program. It would also bring about a measure of timeliness in the reporting cycle for the IG office would, in all likelihood, be somewhat more demanding.

Responsibility to transform the data into cost-effective corrective actions could remain with the programs, but the effects would be critically monitored by the IG.

The second recommended change would be to require the states to determine the eligibility and benefit level provided for under all applicable provisions of federal law, the dollar amount of AFDC, Food Stamp and Medicaid error and reporting these errors by program. The information on the estimated total error has proven extremely valuable in experimental analyses we recently performed in pinpointing clusters of high risk cases. It also raises the potential pay-back for correction action planning. The "official" error rate should be the dollar per case per month in AFDC and resultant errors in the average case in the state. This is computed by dividing the total projected dollar errors in the state for a month by the state caseload.

The third recommendation is a series of financial controls not now required by HEW, coded and reported as errors. For example:

Did the client request a duplicate check?

If so, was the first check cashed? Endorsed by the client?

If not, was federal match claimed for the uncashed check?
Was the check cashed out of state?
Were two checks mailed to the same family with two case numbers?
On cases not reviewed by QC because the family moved and could not be found, was the check cashed?

Of considerable importance is the requirement that states report the specific verifications and tests performed in tracking down all possible errors. If one state rigorously seeks absent parents through its state income tax files, drivers license files, and vehicle registration files, its errors must be held in proper perspective with a state without implementation of such stringent checking that could indeed open Pandora's box for them.

Fourth, is a stringent evaluation of the WIN and IV-D referral and work registration programs to ensure that the AFDC agency is held accountable for these procedural errors that could reduce the family's dependence on public welfare.

Fifth, would be to count cases not recertified within 30 days of the required date as totally ineligible.

Sixth, would be to require the state to act on all errors found by QC by the end of the month following detection of the error. If not acted upon, the error for subsequent months would be added to the original error amount. This penalty would include review of required action to obtain restitution, child support, WIN registration, as well as prosecution where fraud is evident. A summary of the impact of fraud in eight major states appears in Appendix E.

Seventh, would be to eliminate the federal requirement for resource checking and verification from the QC process for a three year period to gain a large amount of QC reviewer time now going towards seeking errors that cannot be cost-effectively controlled anyway. Most resource errors detected by QC are either so small as to be less than one month's grant if the resource is reduced by spend-down, or so sophisticated as to be totally impossible to detect on a scale as would be needed to purge the entire caseload of the error.

Eighth, would be the requirement that the entire state plan and policy manual be rigorously evaluated for other areas in which federal match might be found to be improperly claimed. A prime example of this is in vendor payments for fuel, utilities, or rent, where QC does not address the error at all if the overall grant amount is not in error with the vendor payments included. Another is where FFP is claimed "automatically" for obviously ineligible persons.

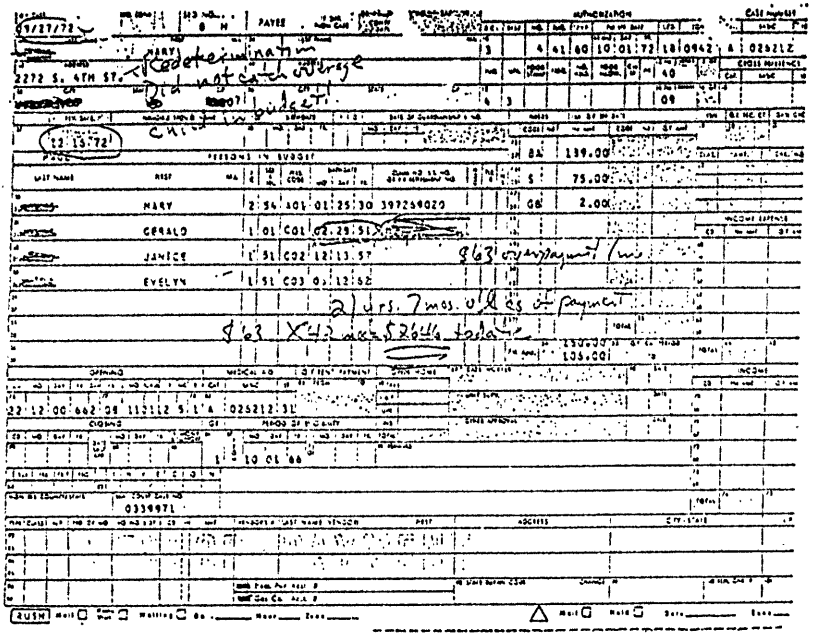
Ninth, would be to require the states to accurately identify the individual QC reviewer for each case, the assigned caseworker, the caseworker's immediate supervisor, the local office within large agencies, the county and city as appropriate, to permit the identification of trouble spots and to determine the cause of the error.

Tenth, would be to define "fraud" so that HEW statistical reports would jibe with Quality Control findings. Currently, QC rather loosely defines fraud as "client misrepresentation." In many states, the number of "client misrepresentation" cases reported by QC (concealed income, the "absent" father found to be living in the home, absent or nonexisting children, etc.) for the fiscal year 1976 exceeded the total number of cases "referred" for prosecution by the AFDC and Medicaid programs combined. In Addendum B there is a comparison between QC misrepresentation and reported prosecutions for fraud.

Eleventh, would be the requirement for extensive determination as to whether the AFDC program or others claiming federal matching funds are being subjected to administrative abuse by state or local agencies. For example, a state could be lax in transferring cases from AFDC to General Assistance (GA) when the family is no longer eligible for AFDC, since no federal match for AFDC or Medicaid is available to GA cases. A flagrant example of computer supported claims for excess FFP is shown below from a state that has obtained more than a million dollars in federal match in such cases over the past several years.

Twelfth, would be the referral of all cases found ineligible for AFDC by AFDC/QC to Food Stamp Quality Control and Medicaid Eligibility Control to determine the net monthly impact of the AFDC error on those programs. Possible eligibility for Food Stamps in the Non-Public Assistant category, and for Medicaid as Medically Needy would be sought, and the net error would be included in the second recommendation above.

94-698—77——32



Thirteenth, would be the extension of AFDC/QC to the Foster Care and Emergency Assistance components of AFDC where federal match is involved. These programs now spend more than $400 million per year in federal and state money, and are not incorporated in the current QC system that monitors AFDC.

The result of such a thorough appraisal would be to perhaps triple the current AFDC error amount, but would present Congress with a true and unbiased status of the public welfare programs.

In summary, we hope that Congress will continue to provide the leadership required to find out what works in the existing programs, fix some of the glaring problems that are very costly in the current system, and to mandate objective and effective oversight through QC for these programs which, by their nature, require such an oversight function.

Coordination and model systems alone will not gain control over the systems now used to deliver welfare benefits to the needy. The primary causative factors, uncontrolled and nearly undirected growth of welfare rolls at a time when computer technology was being touted as the answer to all management problems, can no longer be used as excuses. However, the immensely valuable experiences can be incorporated in the development of a welfare philosophy stressing both the people in need and those who pay the taxes.

Addendum A

WIN/Work Registration

(By Diane M. Benzschawel)

WIN certification in the AFDC program

The Aid to Families with Dependent Children (AFDC) program is intended to be a program of temporary assistance to families, designed to preserve the family unit in times of severe financial stress until the family can again be self-sufficient. This intent is demonstrated and strengthened by the Talmadge Amendment to the Social Security Act. This Amendment requires that all recipients of AFDC who are 16 years of age or older, with some exceptions, be registered with the WIN program and available for training or

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employment, and that those specifically exempted from the program have a current certification of exemption in their case record.

This legislative intent—that AFDC be only a temporary source of aid—is subverted by state and local welfare agencies, aided and abetted by the Department of Health, Education and Welfare (HEW) in its Quality Control (QC) program. HEW, in its QC Case Review Process manual, which is issued to all state QC reviewers, defines the methods by which these reviewers will assess AFDC cases and determine eligibility and payment status. Although federal laws states that failure to be currently registered for WIN or correctly certified exempt must result in the recipient's being declared totally ineligible for AFDC, the WIN program requirements are discussed in the QC manual under a section entitled "Procedural Requirement vs. Eligibility Requirements."

In this section, procedural requirements are defined as methods by which local agencies determine eligibility and payment and the QC reviewer is told that "the failure of local agency staff to follow a prescribed method or procedure does not per se constitute ineligibility or incorrect payment for QC purposes." [1] QC reviewers are instructed to determine instead whether or not eligibility and payment are "factually" correct as of the review date.

Specifically, the reviewing procedure to be followed in the case of WIN registration is as follows: "If the case record does not shown evidence of the registration or exemption certification of all recipients in the case who fall under the WIN program, the QC reviewer is instructed to determine the proper exemption status. Any recipient in the case who is found not to be exempt and who is found not to be exempt and who is not currently registered is to be found ineligible as of the date of the review—which is the first of the month in which the case is drawn in the QC sample."

According to the QC manual "It does not matter if the case was initially approved or continued at an earlier date without current registration." [2]

RESULTS

Data from the January–June 1976 QC sample project about 70,000 cases in error solely due to lack of proper WIN registration or exemption of one or more of the recipients in the case. These cases represent approximately 8.4% of all cases in which some type of error exists, and account for approximately $5.6 million a month in misspent funds. There is no way of knowing how many of the remaining 91.6% of the cases in error also contain WIN errors, since QC codes only the primary error.

Data from the January–June 1976 QC sample of several states with relatively high incidence of WIN errors indicate that 85% of the cases with WIN errors have been on AFDC two years or longer, and that the vast majority of the WIN errors occurred after the initial application. The fact that most WIN errors occur after the application shows that the agencies are not geared to anticipate and act upon changes in those factors in the cases which they know will change and effect the WIN status of the recipients (such as the youngest child in the case turning six, recovery from a temporary incapacity, or a child in the grant turning sixteen) between redeterminations, and that the redetermination processes are apparently not designed to catch these changes either—50% of the WIN errors occurred before or at the last case redetermination.

As evidence by the QC findings, there is little incentive for the state and local agencies to comply with the terms of the Talmadge Amendment. The emphasis by QC on "factual eligibility" encourages the states and local agencies to think in terms of justifying a recipient's eligibility to remain on welfare rather than ensuring that all possible efforts are being made to assist AFDC cases to become self-sufficient. Thus, while failure to correctly register a recipient for WIN is counted as an error (generally an overpayment) and the states can be financially penalized by HEW for these errors, the states tend to feel "ill used" in having to declare these cases in error—after all, the client is "factually" eligible. Because the cases are only in error as of the date of review there is no possibility for taking actions against states or local agencies for permitting cases to remain on the welfare roles without proper registration for long periods of time. Thus, little or no correction is taken to clean up these "paper" errors.

[1] Quality Control in AFDC, Section 3—The Case Review Process, U.S. Department of Health, Education and Welfare, Social and Rehabilitation Service, Office of Management, Revised January 1976 (p. 11).
[2] Ibid.

WORK REGISTRATION IN FOOD STAMPS

The attitude of many welfare administrations towards the potential value of work registration to reduce or eliminate dependency on public welfare was clearly evidenced in the Food Stamp program's press release of December 28, 1976, for the January–June 1976 reporting period. The $2.6 million reported to be in error for six months excluded over $123 million in errors due to work registration errors and $67 million in "procedural" errors. The dismissal of some 200,000 cases in which one or more persons who were legally required to seek work and did not as worthy of inclusion in the press release concealed about $250 million per year in errors. Work registration caused 8.1% of all food stamp bonus to non-public assistance cases to be issued in error. This data was directly extracted from the statistical tables accompanying the press release.

CASES WITH WIN ERRORS

State	Length of time on AFDC as of review date							
	0 to 6 mo	7 to 12 mo	2 yr	3 yr	4 yr	5 yr	>5 yr	Total
Washington, D.C.	39	39	78	156	39	234	975	1,560
Illinois	1,098	732	732	732	1,464	1,281	7,320	13,359
Maryland	57	228	171	513	285	342	1,197	2,793
Massachusetts	80	〃	90	90	180	360	450	1,260
Michigan	209	330	197	743	612	853	1,038	3,982
New Jersey	172	〃	172	86	〃	86	688	1,204
New York	882	1,176	588	882	294	588	7,350	11,760
Ohio	432	432	432	720	576	432	2,304	5,329
Pennsylvania	468	〃	468	156	468	156	1,716	3,432
Wisconsin	47	141	188	188	235	235	564	1,598
Total	3,794	3,078	3,116	4,266	4,153	4,567	23,602	46,275
Percent	7.6	6.6	6.7	9.2	9.0	9.9	51.0	100.0

WHEN ERROR OCCURRED

State	At application	Before or at last redetermination	After last redetermination	Redetermination overdue	Total
Washington, D.C.	39	273	117	1,131	1,560
Illinois	732	10,065	1,830	732	13,359
Maryland	114	1,938	285	456	2,793
Massachusetts	90	720	270	180	620
Michigan	209	1,830	1,183	760	3,982
New Jersey	86	860	258	〃	1,204
New York	882	8,820	1,470	588	11,760
Ohio	288	3,744	720	576	5,328
Pennsylvania	312	2,496	624	〃	3,432
Wisconsin			1,363	235	1,598
Total	2,752	30,746	8,120	4,658	46,275
Percent	5.9	66.4	17.5	10.0	100.0

ADDENDUM B

QC vs FRAUD ACTIONS

The HEW Publication E-7, "Disposition of Public Assistance Cases Involving Question of Fraud," details "official" state actions taken in fiscal year 1976. Since AFDC/QC records cases of "client misrepresentation," there should be some relationship between the two numbers by state.

This is true in some states. In Texas, QC projects 1,192 cases of misrepresentation, and E-7 shows 1,822 prosecutions. In California, QC shows 12,210, E-7 8,815. Substantial agreement.

In some other states, the prosecution activity is exceeded by the raw count of QC misrepresentation cases for half of the year included in E-7. D.C. had nine prosecutions versus 114 misrepresentations; Alabama 21 to 39; Arizona 24 to 60; Colorado 25 to 69; Minnesota 61 to 32; Mississippi 81 to 14; Montana 15 to 2; Nebraska 11 to 1; Oklahoma 29 to 5; Tennessee 71 to 17; West Virginia 36 to 3; and Wyoming 7 to 0. In these states, QC samples from 1 in 20 to 1 in 40 cases on AFDC. In other states, the discrepancy from the statistical

projections are enormous. In Michigan, 427 prosecutions in 18,400 projected fraud cases; New York had 758 prosecutions in a projected 48,000 fraud cases.

The definitions between the two systems, if brought into conformity, would provide excellent accountability over the legal actions taken by states, since Quality Control projected 260,000 misrepresentation cases in 1976 and E-7 accounted for only 37,000 "Legal Actions," 18,600 prosecutions, and only 7,575 with "reimbursement arranged."

ADDENDUM C

Some common problems encountered due to a lack of a well thought out and developed management information system:

Problem 1. A state with a highly sophisticated, on-line computer system provided monthly listings, by case-worker, of all redeterminations due the following month. The caseworkers' union contract stipulated that caseworkers must complete at least 90% of their assigned workload within the month. QC data showed that, in one major county 40% of all redeterminations were overdue, 20% by six months or more, and 10% by more than one year. Analysis of the problem revealed several contributing factors to that fact that so many cases were long overdue and the error rate in such cases was three times that of "current" cases:

a. The monthly listings never showed overdue redeterminations, just those due the next month. If 90% from the previous month were done, no problem was indicated. But, workers were not required to complete the prior month's "slippage" before doing 90% of the current month.

b. The cases that were avoided were those that the caseworker knew would require more time: those with shared households, part-time earnings that required verification, etc.—the very cases that had the highest likelihood of being in error.

c. There was considerable turnover in caseworker staff. It required several months before a new employee could complete their 90% (the union contract gave them six months to learn). No effort was made to prevent redetermination slippage, and no delinquent reports were produced. Once overdue, a case never reappeared on a computer listing—even when the next six-month cycle occurred.

Answer. Work scheduled on first-in/first-out basis assuring long overdue redeterminations are not missed.

Problem 2. About four percent of a state's cases were eligible due to incapacity of the father, according to QC data. QC also found over half of such cases ineligible. A desk audit of all incapacity cases was performed. Over two-thirds had no doctor's certificate within the prescribed time period, and, therefore, were technically ineligible for AFDC. Upon further investigation, several interesting factors appeared, the end result being the closing of over half of all incapacity coded cases:

The medically certified reason for incapacity in over half the cases was alcoholism, obesity, or alcoholism and obesity.

Nearly all of the above had been certified by the same clinic.

The computer record showed incapacity as a reason for ineligibility, but did not reflect the need for medical recertification.

The revised case manual had inadvertently omitted any reference to the medical form.

The cases were closed because the father was working full time.

No assessment of possible Medicaid payments errors was made since the fiscal intermediary was "not on speaking terms" with the welfare department, and nobody took the initiative.

No referrals for prosecution were made even though earnings were intentionally not reported.

No attempts at recovery of ineligible payments were made.

Answer. Computer tracking for need of medical certification and recertification. Also, statistical analysis of providers performing the certifications.

Problem 3. Documentation for using an on-line computer system stated the "Computer adjusts (the case) budget for children's age changes." The state plan had no provision for over-18 children in AFDC. A review of this aspect of the system showed that:

The computer did not transfer the case from AFDC to General Assistance when the last child turned 18; the mother continued on AFDC.

The computer did not adjust the budget.

The computer system continued to claim FFP for ineligible children even after the cases was recoded GA.

No error messages were printed.

Virtually all cases detected by QC were transferred to GA, where the state was required to pay the entire expenses for cash assistance and a higher proportion of Medicaid costs.

The state obtained a listing of such cases showing about $1 million in erroneous claims for FFP. No action was taken by SRS to recover such funds.

Answer. Management Information System designed specifically for AFDC.

Problem 4. Vendor payments for rent, utilities, and other non-medical expenses are fraught with slippages.

The grant included allowances for fuel/utilities, but direct confirmation with with the utility company revealed the service to be in a third party's name—the landlord; the client got the cash, paid it to the landlord who was permitted to include it in the rent, but the agency already paid the vendor. It was not possible to determine who got the extra $. No recovery was attempted.

A client had vendor payment for room and board, vendor payment to the utility company, and also a shelter allowance. Triple payment!

A client's shelter allowance was changed to a vendor payment to the landlord, but the grant to the client was not reduced an equal amount.

A case printout showed a vendor rent payment for one address with the client living at another address receiving a rent allowance.

Vendor payments for rent for a case were issued for the entire grant amount —no recovery attempted.

In-state vendor payment address for a client with an out of state mailing address raised questions, but no recovery made.

A recipient who had declared (falsely) desertion of her husband moved to Germany when he transferred with the Army. She continued to have her check mailed—to Germany! Vendor payments continued to be made for in-state rent.

A recipient was injured in an automobile accident in the state in which she received AFDC, and received rehabilitation in a hospital 2,000 miles away. Nine months later, when she was notified her case was to be closed, she moved back to the original state, where vendor payments for rent had been continuously made.

"Vendor payment was properly submitted to (the department) August 29, 1974 followed by a stop vendor payment (order) on September 5, 1974. (The department) processed the stop payment order twice, but it was rejected by the computer because the start payment had not been processed. (The department) filed the stop payment and then mistakenly processed the start payment. The error was corrected in August 1976 . . . after $1,000 . . .". No funds recovered.

Answer. A series of computer edits and standards to be implemented in a statistical reporting scheme which would uncover common error conditions. Also, a financial subset which would maintain a historical audit-trail on payments and would do financial balancing for payments to all parties involved in a case.

Problem 5. A state with two of the most sophisticated (sic) on-line systems for welfare and unemployment compensation on different computer systems, regularly reports to AFDC QC that $500,000 per month in AFDC error payments are made because clients fail to disclose unemployment benefits when they apply for AFDC. The figure given is based on comparisons of matching social security numbers, and would not detect false or accidentally different social security numbers. No comparison is made by mailing address or name. A test run was made early in 1976, but the resulting list was so huge that the welfare department did not have the resources to even approach the problem.

Answer. Computer matching of available files on a routine basis to verify eligibility. Notification of cases in error as to action to be taken and an offer that the client may appeal the action.

Addendum D

Data in AFDC Quality Control Computer Record

A. State code
B. Local agency code
C. Review number

D. Month and year of review
E. Month and year of most recent opening
F. Most recent action
G. Number of months between most recent action and review month
H. Number of persons in assistance group and household
I. Deprivation factor
J. WIN program registrants or participants
[1] K. Shelter cost arrangement
[1] L. Fuel and/or utilities cost arrangement
M. Does the case record show . . . special circumstance allowances . . .
[1] N. Current employment status of caretaker relative and spouse . . .
O. Does the case record show the presence of income and/or resources?
(a) Income (Earned, RSDI, Other pensions or benefits, support payments, other)
[1] (b) Resources (Real property, Life insurance, Liquid assets, and personal property)
P. Required notice to child support agency . . . (made) . . .
Q. Disposition of case review
R. Payment amount; Error amount; type of error,* if over-payment, number of eligibles excluded, ineligibles included . . .
S. (When) Primary error occurred
T. Is there indication of willful misrepresentation of facts . . .
U. Primary error (code)

ADDENDUM E.—*Causes/effects of client fraud* [1] *in 8 States—1976*

	Millions per year
California—45.6 percent of all dollar errors due to fraud:	
Concealed income (earnings, support payments, unemployment compensation)	$25
Persons nonexistent or moved out of household left in grant	14
Earnings, unemployment compensation misreported by client	6
Illinois—70.8 percent of all dollar errors due to fraud:	
Concealed income (earnings, RSDI, UC, support payments)	69
"Absent" father living in home	15
Persons moved out of household left in grant	12
Massachusetts—47.9 percent of all dollar errors due to fraud:	
Concealed income (earnings, UC)	7
Bank deposits	9
"Absent" father living in home	6
Persons moved out of household left in grant	6
Michigan—66.6 percent of all dollar errors due to fraud:	
Concealed income (earnings, UC, support payments)	34
"Absent" father living in home	16
Budget (rent, fuel allowance)	9
New Jersey—69.6 percent of all dollar errors due to fraud:	
Concealed income (earnings, UC)	11
Bank deposits	5
Persons moved out of household left in grant	5
"Absent" father living in home	4
New York—70 percent of all dollar errors due to fraud:	
"Absent" father living in home	137
Concealed income (earnings, child support, RSDI, UC)	61
Ohio—72.6 percent of all dollar errors due to fraud:	
Concealed income (support payments, earnings)	36
"Absent" father living in home	12
Persons moved out of household left in grant	8
Pennsylvania—40.9 percent of all dollar errors due to fraud:	
Concealed income (support payments, earnings)	9
Bank deposits	5
Persons moved out of household left in grant	5

[1] Limited to sources of fraud sought by AFDC/QC.

NOTE.—Total projected fraud errors, $627,000,000 in 8 States in 1976; includes projected resultant food stamp and medicaid errors, but not medicaid third party liability errors.

[1] Items that are redundant or otherwise not productive in either identifying causes or effects of errors.

Senator MOYNIHAN. The Committee stands in recess.

[Thereupon, at 1:30 p.m., the subcommittee was recessed, to reconvene at the call of the chair.]

APPENDIX

Communications Received by the Committee Expressing an Interest in These Hearings

Prepared Statement of Senator Edward W. Brooke

Mr. Chairman, I wish to bring to the attention of the members of the Senate Finance Committee several serious objections to Section 505 (A) of H.R. 7200. This section, which was added in the House Ways and Means Committee without hearings has the potential, indeed more than the potential, for causing great harm to many poor families.

Section 505 (a) would authorize that up to 50% of AFDC recipients benefit payment would be issued to his or her landlord or utility company.

The adoption of this section would violate a principle established at the time AFDC was enacted by the Congress. This principle explicitly rejected past practices under which welfare agencies paid many recipients' bills directly to vendors. Instead, Congress stated that families dependent on society should not be penalized for their poverty by being deprived of the responsibility and dignity that comes from controlling how their resources, however meagre, should be spent.

It does not suffice to say that respect for the dignity of AFDC recipients will be maintained under Section 505 (a) by providing that the AFDC recipient must "voluntarily" ask to have his benefits assigned to landlords or utility companies. For AFDC recipients are too often those who by education or by experience are most ill-prepared to recognize, understand, or assert their rights.

And we cannot be assured that welfare officials will adequately inform the recipients of their rights. At best, too many welfare officials are harried and overworked, and to ask them to assume still another task will mean simply that the task will be hastily done, if at all.

At worst, we will be handling welfare officials a strong instrument of coercion. And the so-called "voluntary" sterilization of teenage black girls on welfare in the South a few years ago proves, we cannot assume that workers in a governmental agency will refrain from trying to control the lives of those who they are supposed to serve.

All in all, as an HEW memorandum said about the "voluntary" assignment of another welfare recipients' right: "The recipient of public assistance is dependent for his very livelihood on the agency and the public officials who have it in their power to give or deny him that very livelihood. . . *Recipients have no assurance that they can refuse the suggestions or proposals of the agency* that 'power of attorney' be given. . . The relationship between a dependent person and his benefactor is such that free choices are not possible on the part of the recipient."

In addition, a far greater threat to the "voluntary" nature of the welfare recipients' assignment of benefits could come from the landlord and the utility company. For, as has been noted, "Once landlords and utility companies learn that AFDC recipients can "request" direct payments to such vendors, large numbers of recipients will find their landlords and utility companies routinely demanding that they make such "requests." The instrument of coercion will be an effective one: landlords can refuse to rent and utility companies can refuse to provide services.

However, in addition to raising questions about the general assumption behind Section 505, as a long time member of the Senate Housing Subcommittee, I have very strenuous objections to the provisions of Section 505 and their implications for our national housing policy for low-income families.

Section 505 (A) could in essence create a multi-billion dollar low-income housing program larger than those that have been proposed by the Housing Subcommittee and enacted by the Congress. And although no one wishes to encourage the perpetuation, especially the growth, of cost-inflated, substandard housing for the poor, that well may be the unintended consequence of Section 505 (A).

For, Section 505 (A) contains none of the tenant protections which have been enacted as basic, fundamental conditions of our housing subsidy programs, such as enforced requirements that landlords provide housing that meets safety, health or housing code standards, or equally important, that rents be fair.

It might be argued that standards and protections need not be included in the bill because a welfare recipient would himself have redress against his landlord or utility company. It is argued that he could always refuse to countersign the two-party check issued in his or her and the vendor's name. And in the last extremity, the recipient could withdraw his assent to the assignment of benefits.

However, these two courses would be ineffective in protecting the welfare recipient and preventing the subsidization of sub-standard housing. For, to refuse to counter-sign the check would still not enable the welfare recipient to cash the check without the landlord's or utility company's permission. Thus the recipient would be left without funds for alternate housing. And implementing a request that assignment of benefits be ended could take a substantial amount of time considering the bureaucratic procedures and welfare case backlog involved. Therefore in both instances the welfare recipient would be at a serious disadvantage in protesting housing conditions which clearly deserve correcting.

One final argument which has been made in favor of Section 505 (A) is that there is a great scarcity of low income housing and that Section 505 (A) would encourage landlords to rent to low income welfare recipients whom they otherwise might consider financial risks.

But, this is a specious argument. What evidence that exists suggests that nonpayment of rent is not a serious factor among welfare recipients.

And most importantly, I emphatically protest that the solution to our national shortage of low-income housing should—or would—come through provisions such as Section 505 (A). The Congress has the responsibility to address this problem forthrightly and devise rational solutions which will benefit the poor, not limit their rights.

I therefore feel that Section 505 (A) is unwise both in its general assumptions and in its specific implementation. For we still owe basic respect to those who are less economically fortunate than we are. And as a member ofthe Housing Subcommittee, I warn of the implications of this bill in encouraging and subsidizing slum housing.

No committee in Congress has shown more concern for the poor of our nation than the Finance Committee. And no Senator has been more insistent that the rights and best interests of the poor be respected that the distinguished Chairman of this Committee. I ask that the Committee reaffirm that concern by deleting Section 505 (A) from the bill it sends to the floor.

NATIONAL COUNCIL OF JEWISH WOMEN,
New York, N.Y., July 20, 1977.

HON. DANIEL P. MOYNIHAN,
Chairman, Subcommittee on Public Assistance, Senate Committee on Finance, Dirksen Senate Office Building, Washington, D.C.

DEAR SENATOR MOYNIHAN: I am privileged to submit, in behalf of the National Council of Jewish Women, the enclosed statement for the record on the Public Assistance Amendments of 1977 (H.R. 7200).

Public assistance and the entire welfare reform proposals are among National Council of Jewish Women's priorities. For your attention, I am also sending along our recently completed Study Guide on Welfare Reform, Part I—Income Maintenance.

The 100,000 Council women across the country will be quite attentive to the action your Subcommittee and the Senate Finance Committee takes on these Public Assistance Amendments.

Sincerely yours,

ESTHER R. LANDA,
National President.

PREPARED STATEMENT OF THE NATIONAL COUNCIL OF JEWISH WOMEN

National Council of Jewish Women, with 100,000 members in more than 200 communities in 37 States, has long been concerned about a healthy community, sound family life and individual welfare. It believes, therefore, that our democratic society must give priority to programs which meet human needs and that the public and private sectors must cooperate to achieve this end. The community service projects undertaken by our local Sections (Chapters) have provided us with direct contact with those who would be affected by changes proposed in the Public Assistance Amendments of 1977, H.R. 7200. These include services to assist abused/neglected child, child day care, youth in delinquency prevention programs, the elderly, etc.

TITLE IV-B, SOCIAL SECURITY ACT—CHILD WELFARE

H.R. 7200, as passed by the House of Representatives, would provide much needed changes in Title IV-B of the Social Security Act. By fully funding Title IV-B and making it an entitlement program with 100% Federal funding, this legislation would permit for the first time the mounting of an extensive effort to provide (a) preventive services so that children could be maintained in their own homes instead of placing them in foster care at times of crisis, and (b) support services to restore children to their homes after placement in foster care.

By requiring maintenance of effort except for foster care, the new money would expand homemaker-home health aide and day care services for which funds are not now available in many States under Title XX, as well as intensive counseling service needed to cope with family problems. It would help to provide needed funding for systems of Comprehensive Emergency Service for Children at Risk, such as the one developed in Nashville, Tennessee, now serving as a model for the rest of the country. Currently, in many places services are only available to help the child after the family crisis has deteriorated so much that the only solution is removal of the child from the home.

We urge that the Title IV-B funds remain separate from the Title XX Social Services funds so that the monies are truly targetted to help stabilize families, to prevent placement of children in foster care, and to help reunite children with their parents. The experience of the past year with PL 94-401, which provided additional funds labeled for child day care, has clearly indicated the necessity for such targetting and for legislating maintenance of effort. These additional "day care" funds have been used mainly for administrative budgets of State and local social service departments and for other services, with widespread decrease in funding of child care day care services—legal as long as the State spent on child care at least its allocation of PL 94-401 funds, with no maintenance of effort required. In New York State, for example, despite the additional funding to the State of $17.1 million from PL 94-401 for FY '77, 24 counties eliminated purchase of child day care services for "income eligibles" and others cut back eligibility to 62.5% of State median income. No PL 94-401 funds went to local social service districts. If the Congressional intent is to increase prevention services to help children remain in their own homes and to reunite those in foster care with their families, then this intent must be defined clearly in the legislation and include maintenance of effort as prerequisite for obtaining the new money except for foster care.

TITLE IV-A, SSA—FOSTER CARE

H.R. 7200 would also provide an improvement in the Federal participation in the cost of foster care by expanding the current funding to include voluntary replacement if it is accompanied by a written contract with the natural parent, thus requiring judicial determination only for involuntary placement. We support this change, recognizing that the current requirement of judicial determination for any placement to be eligible for Federal reimbursement has caused a sharp increase in judicial placements, has overloaded family and juvenile courts (as we had predicted), and has caused considerable trauma for parents needing temporary assistance. Moreover, overcrowded court calendars have prevented voluntarily placed children from being returned to their homes speedily.

The expansion of Federal financial participation for voluntary placement in foster care could be utilized to bring about speedier return of children to their own homes if the law also required immediate return of the child on request of the parent, unless there has been judicial determination of neglect or abuse.

We support the Rangle Amendment to H.R. 7200, which will allow Federal financial participation for children placed in foster care in public institutions, if these institutions serve less than 25 children. This will allow for the first time FFP for children placed in group homes developed by local and State governments, a recent effort which is proving successful in helping to keep children in their own communities, particularly adolescents who cannot function in their own homes. It has not always been possible for an existing voluntary agency to establish such programs in every community where needed.

We endorse the basic requirements of H.R. 7200 that, to receive Federal funds for foster care, the State must first have offered prevention services which were unsuccessful or refused; that there must be judicial determination for involuntary placement out of the home; that the child be placed in the least restrictive setting possible, as close as possible to his/her own home and whenever possible with relatives; that there be reunification services for families of placed children; that there be case reviews every six months, with notice to all parties, and a dispositional hearing within 18 months by the court or a court-appointed body for final determination that the child be returned home, placed for adoption, continued in foster care for a specified period, or placed permanently in foster care; and that there be due process grievance procedures for all concerned—parents, foster parents and children, with appeals procedures. Our experience indicates that such Federal standards are, indeed, needed.

TITLE IV–A, SSA—SUBSIDIZED ADOPTIONS

We support the development of a national and regional adoption information system to assist in placement of children for adoption and an adoption subsidy program. Such adoption subsidies are assisting hard-to-place children to find permanent home in many States. But the proposed limitations of the Federal subsidy to AFDC–FC in foster care for at least six months and for a period of one year or the length of time the child has been in AFDC–FC foster care raises serious questions: Why the time delay if an adoption placement is available? Why limit only to AFDC–FC foster children? This should be modified to be consistent with many State laws, allowing subsidization for any foster care child released for adoption and subsidization until the age of majority with annual recertification.

We also question why a satisfactory foster home should be the adoption home of last resort. Moreover for permanent placement of handicapped children, it is essential that the legislation be modified to include continued eligibility of the child for Medicaid rather than have the cost of health services come out of scarce service dollars.

SUMMARY: CHILD WELFARE AND ADOPTION PROVISION OF H.R. 7200

The National Council of Jewish Women endorses the intent of H.R. 7200 to develop comprehensive services to prevent placement of children outside their homes whenever possible to protect both children and the families, and to assist permanent placement for children who can't remain in their homes. If fully funded it should make significant improvements in child welfare services in our country.

PREPARED STATEMENT OF JOSEPH E. JENKINS, EXECUTIVE DIRECTOR OF UNITED NEIGHBORHOOD HOUSES OF NEW YORK, INC.

On behalf of United Neighborhood Houses, which is the federation of 35 New York City settlement houses, we are submitting the following written comments with respect to HR 7200.

1. INTRODUCTION

We believe that the 250,000 or more individuals served by the settlement house movement in New York City will be substantially assisted by the passage of HR 7200. Many of the parts of this bill will directly affect our clients; and therefore, we are supporting its positive measures.

2. SUPPORT OF COMMUNITY SERVICE SOCIETY'S STATEMENT

We fully support the statement submitted by the Community Service Society, with which we have been working closely. Rather than repeat the arguments

provided in the statement, we are attaching it to this statement and urging its consideration. (See Attachment #1.)

We are, however, adding a few additional points which are not covered in the Community Service Society statement and which we dealt with in our testimony presented to the Subcommittee on Public Assistance of the House Ways and Means Committee. (See Attachment #2.)

3. ADDITIONAL COMMENTS

a. With respect to new funds for Title XX, we urge that the $200 million proposed in HR 7200 be specifically earmarked for day care along with a requirement for a state and local maintenance of effort at the level paid in 1976–77 as a condition for receiving additional funds. The reason we are taking this position is the clear need in New York City and in other parts of New York State for additional day care funds, a need that was not full recognized by the state. The chairman of our board, Mrs. Wittenstein, received a letter, written on behalf of Governor Carey, which stated "the additional Title XX monies received by the state under Public Law 94–401 have been used to offset state spending for those supportive social services not otherwise supported by the federal government." We realize that this was legal since no clear earmarking was included in P.L. 94–401, and we wish to avoid the same situation with respect to funds authorized under HR 7200.

In addition, we wish to state strongly that we disagree with Secretary Califano's statement in the hearings before your Committee that no additional funds to raise the ceiling of Title XX should be included in subsequent years. As a provider agency under Title XX, we realize and can provide testimony as to the extent to which the provisions of Title XX have been of enormous assistance to low-income families, as well as welfare recipients, residing in the poverty areas which we served. We, therefore, again strongly urge inclusion of a specific provision raising the ceiling of Title XX for future years.

b. In our testimony before Mr. Corman's Committee, I emphasized the disadvantages of a standard work expense disregard in dealing with persons receiving assistance under AFDC. We believe that it is essential that the different costs of shelter, transportation and other work related expenses must be taken into account in calculating the work disregard and that urban areas such as New York City should not be bound by the more limited costs in other areas. We realize that this issue might be brought up again with respect to welfare reform. We hope to be in a position to provide statistical proof as to the affect of work disregards in testimony concerning welfare reform when your Committee holds hearings.

c. With respect to child support (Title IV-D), we wish to state again that we have found, after considerable investigation, the amount of funds that could be collected from the very low income individuals involved do not meet the expense of collecting them and are simply used as a punitive measure. We would support the proposals if we believed they were useful, but we think it would be far more effective to strive to find constructive social measures that would encourage parents to seek to contribute to the support of families rather than merely attempting to apply the punitive measures which frankly have negative effects.

d. We welcome the proposals contained in HR 7200 that would facilitate the administration of the SSI benefit calculations.

4. FUTURE ACTION

We regret that we were not informed of the public hearings in time to request the opportunity to testify in person. If there are any additional hearings, we would welcome an invitation, and we would also appreciate being included in future mailings of the Committee.

ATTACHMENT NO. 1

PREPARED STATEMENT OF THE COMMUNITY SERVICE SOCIETY OF NEW YORK

Mr. Chairman, members of the Public Assistance Subcommittee and fellow citizens:

The Community Service Society is one of the oldest and largest voluntary social agencies in the country. We operate a number of direct service projects

in New York City and are actively engaged in legislative analysis on the city, state and federal level. CSS policy positions are based on the deliberations of our various lay committees, which are made up of consumers, professional and concerned citizens.

We are presenting this testimony on H.R. 7200 because parts of this bill will have major impact in New York City. We intend to discuss its child welfare provisions, which contain many important and positive changes, the Administration proposal outlined by Secretary Califano in response, which seems far less satisfactory, and the provision permitting expanded use of restricted shelter grants in public assistance programs, which we strongly oppose.

CHILD WELFARE H.R. 7200

The failures of foster care and other placement services as evidenced by their destructive effect on children and families are well documented. H.R. 7200 offers a needed, positive response to a complex set of problems. Its reasoned and balanced provisions reflect considerable professional consultation. On the whole, H.R. 7200 seems far superior to previous proposals and to the Administration proposals outlined in Secretary Califano's testimony before this Subcommittee last week.

There are six aspects of the bill which make it particularly attractive. These features, essential to accomplishing the intended purposes of the legislation, are: (1) The requirement that preventive services be offered before a child is placed in foster care; (2) a realistic, workable level of funding intended primarily for preventive services; (3) the continued separation of federal child welfare funding from other social service funding; (4) the comprehensive design addressing the total range of child welfare issues from pre-placement through adoption services; (5) the maintenance of effort clause applicable to all current state spending for child welfare services; (6) the elimination of the requirement of a court proceeding before federal funding is available in the case of voluntary placements.

We also have two major criticisms: the limited adoption subsidy provisions and the inclusion of a permanent foster care status.

1. Prevention Service Requirement

The most significant change proposed is the requirement that preventive services be offered before any child can be placed in foster care.

Posed as a condition for receiving federal reimbursement for foster care and child welfare funding, this requirement should be a major factor in keeping families together, in keeping children safe and well cared for at home within their own families and communities. Combining the preventive services requirement with requirements that reunification services be provided familes of all children in care and that parents be involved in the six month review conference strengthens the pro-family emphasis.

One of the greatest failures of the foster care system has been its neglect of the needs of families, the haste with which children have been removed from their homes for lack of alternative services. Professional interest has centered on helping the child adjust to separation from his family rather than helping the family solve problems. The preventive service requirement promises to correct this imbalance at last.

Because the bill keys the requirement to receipt of services by the individual families needing them, it is much more likely that their availability to all needing them can be assured. Merely requiring that a service network be in place or that certain services be offered or provided by the state makes it too easy to miss individual families.

2. Federal Funding Increase

Making funding available to develop a widespread, preventive service program is necessary to any realistic expectation that families will benefit from this proposal as intended. The funding provisions of H.R. 7200 seem workable in this context and obtaining the major part of the increase for preventive and reunification services also seems possible.

3. Continued Separation of Child Welfare Funds

Continuation of the separate Title IV-B of the Social Security Act with funding earmarked for child welfare services is desirable, at least for the immediate

future. In states like New York, where Title XX is being fully utilized, it is not realistic to expect that large amounts of money will be taken from existing institutions and programs to be used to develop and fund child welfare services. The allocation of Title XX money among social services remains a political process and disorganized families and their children do not make a politically effective lobby.

Ideally, all child welfare services should be planned and funded within an integrated, comprehensive social services system. In the future, when a full complement of needed child welfare services is in place and can compete for funding from a base of existing programs and when the states' social service planning capacity has gained in sophistication and strength, we would recommend a single pot of money for all social services.

4. Maintenance of Effort Clause

Any proposal seeking to expand child welfare services so that placement of children in foster care can be minimized must contain an effective maintenance of effort clause.

We estimate that nearly $400 million is currently being spent in New York State on child welfare, approximately half for services, half for maintenance. The danger that part or all of any new money unprotected by such a clause would simply be substituted for some part of the money the State and City already spends for child welfare is very real as we learned from the experience with the money earmarked for day care under P.L. 94-401 last year. In New York, the State's budget status, but not children or families, benefitted from that grant.

5. Comprehensive Approach to All Child Welfare Needs

We have learned the hard way that favoring one component, such as placement services, was unnecessarily expensive as well as destructive to children and families. The design set out in H.R. 7200 is a total one, responding to the varied problems presented by different groups of children and families and presented at different points in the family's experience.

Preventive and reunification services, as well as adoption services, must be involved.

In addition to defining a balanced complement of services, the list of "protections" imposes an elaborate well thought-out network of accountability mechanisms. Foster care practice has so consistently failed to meet theory that even those who are generally suspicious of expanded federal requirements and oversight should be persuaded that it is necessary here. The detailed protections, and the accountability they attempt to impose, are an essential part of the overall design.

6. Elimination of the Need for Court Approval in Voluntary Placements

Voluntary placements agreed to by parents and social workers have traditionally not required a court review and most professional opinion finds court involvement at this point a harmful experience for the family and child and needlessly expensive. In New York, a court hearing, usually pro forma, is held for most voluntarily placed children if they are otherwise eligible in order to obtain Title IV-A foster care reimbursement. Few advantages can stem from such automatic judicial procedures and its elimination seems both economical and sensible.

This should not indicate a lack of concern for the real problems involved in voluntary placements. We believe the protections, such as required written contracts, found in H.R. 7200 and existing New York legislation should be retained. The idea, advanced by some professionals, that every voluntary placement should trigger a full court hearing with all parties present deserves further exploration. But a court review requirement that can be met by an approval "on paper" should be eliminated.

We would like to see two changes in H.R. 7200. The adoption subsidy provisions should be expanded along the lines of those found in the Administration proposal and the status of permanent foster care should be eliminated.

ADOPTION SUBSIDIES

The subsidy provisions in H.R. 7200 are a welcome first step but unless the provisions are expanded few children in New York will actually benefit from the

change. New York State has had an adoption subsidy program since 1968; there is no doubt it provides opportunities for adoptive, permanent homes for children who previously were almost certainly destined to spend their lives in institutions.

For handicapped children, the subsidy program is particularly important; it is not likely that they will otherwise be adopted. Since the care of these same children and the same handicap-related expenses are now being covered by public funds more expensively than if covered through the subsidy program, a decision to strictly limit eligibility for subsidy seems unwise.

The adoption subsidy sections of the Administration proposal are much better and more likely to increase adoptions of New York's foster care children. Local programs, like New York's, are hampered by the current funding patterns. Although the total cost of adoption with subsidy is less than foster care, the lack of a federal funding share makes adoption subsidies more expensive for the local social service districts. Federal payments for as little as a year, as proposed in H.R. 7200, will not remove this fiscal incentive to keep children in foster care; federal participation should be until the child's majority.

Even the Administration proposal, however, should be expanded to subsidize special non-medical needs, without regard to the adopting families' income, at least in the case of handicapped children.

PERMANENT FOSTER CARE

The concept of permanent foster care has been raised and discussed in New York within the context of its foster care court reviews, which take place after the first 18 months and every succeeding two years. New York has decided however, and we think wisely, not to adopt this classification. No doubt there are some children for whom long term foster care until majority is the only realistic plan, but they are a very small part of the foster care population. We agree, for example, that it would be appropriate for children with strong attachments to natural parents who, because of mental illness or other handicaps, will obviously never be able to make a home to which their children can return. However, the bill contains little guidance as to which children should be included and therefore leaves a great deal of freedom in writing and interpreting regulations on this point. We fear that the permanent foster care category will be used to defeat the Congressional intent to limit the indeterminate stays of large numbers of children in foster care.

Also, if nothing prevents foster parents from following the common pattern of giving back children as they reach adolescence and become troublesome, even after long term stays, the status will be "permanent" only for the foster parents, freeing them from supervision while offering children no real assurance of permanence.

So long as the basic issues involved in defining a permanent foster care status and the population for whom it is appropriate remain unresolved, the inclusion of this status in H.R. 7200 is premature and dangerous. The expense of court review and continued oversight for the few children involved is not so great as to justify the risk the status presents.

CHILD WELFARE—ADMINISTRATION PROPOSAL

Except for the adoption subsidy provisions discussed previously, the proposal described by Secretary Califano is a rather disturbing one, coming as it does from an administration that claims such a strong interest in, and intent to support, families. The H.R. 7200 provisions that would have strengthened service to families and to children in their own homes and communities are either absent or significantly weakened. The most important—the requirement that preventive services be given before every placement—is not included in the Administration plan. Full IV-B funding is delayed and the absence of any maintenance-of-effort provision lessens the chance that the full effect of the new money will be felt in a state like New York which is currently spending nearly $100 million for social services unmatched by federal funds.

We are particularly unhappy with the intent to earmark the initial increased funding for tracking systems and other administrative expenses. Case review, computer tracking systems, most due process protections, and adoption exchanges already exist in New York or are being developed independently of any expectation of new IV-B money.

After several years of operating a foster care computer information system, New York City is learning that the design of the initial program, the marshalling and presentation of the information gathered, and other human elements affect its usefulness. Simply ordering that additional money be spent for tracking systems in New York City is not likely to improve existing accountability or reduce the foster care population. This emphasis on administrative oversight needlessly reinforces the traditional pattern of paying for professional services directly focused on the child first, so that help for families is available only when money is left over.

Most states would have to spend some part of the new IV-B money for these things to meet the requirements of H.R. 7200 or any that might be placed in an administration bill. In New York at least, it would be far better to leave open the allocation of new funding so that no more than necessary is taken from direct service programs for supervision and administration.

Finally, we are opposed to placing a cap on foster care maintenance or adoption subsidies funding.

The Social Security Act in 1935 established the principal of open-ended funding for basic support needs of persons included in federal public assistance categories. Limited only by state matching policies, anyone eligible receives income maintenance assistance. A ceiling on federal funds available for this purpose is unprecedented and changing this policy can only be seen as a step backward. It seems especially cruel to first impose such a limitation on that small group of children who are not only destitute and dependent, as are all minor AFDC recipients, but who also lack even the love and caring of one parent capable of meeting their needs.

The basic food and shelter maintenance needs of these children do not vanish because they are removed from their homes and placed in foster care. Neither Title XX nor the new Title IV-B monies may be used for income maintenance. The adoption subsidy program does not increase the number eligible to receive this aid. It is neither rational nor equitable to distinguish foster care children from other AFDC recipients by denying them the public assistance to which they would be entitled if not in placement.

We understand the fears of government at all levels concerning open-ended spending programs. We support tightening accountability controls and understand the purpose of ceilings on service funding. In supporting H.R. 7200 and a strong adoption subsidy program we are seeking to limit foster care stays—and expense—for social welfare policy reasons as well as fiscal advantage. But we must oppose, as a drastic and unwise change in federal policy, any absolute limit on federal income maintenance funding particularly when it is aimed at one of the most vulnerable groups of dependent children.

RESTRICTED SHELTER GRANTS

We are strongly opposed to Sec. 505(a) of H.R. 7200 which would increase vendor payments to welfare recipients from 10 to 20% and would allow unlimited use of two-party checks upon the voluntary request of recipients. This section represents an erosion of the principle of cash payments that is intended both to encourage a recipient's personal independence and to accord to our poorest citizens the same rights and privileges enjoyed by those with alternative sources of income. It provides no assurance of improved housing stock but rather ensures a guaranteed income to landlords without requiring them to use this income to make necessary improvements and repairs. Finally, it demonstrates a serious lack of understanding concerning the day to day workings of our current welfare system and the ability of the local welfare agencies to administer a program in a manner consonant with legislative intent.

While it is true that unless landlords have sufficient rent income they will not maintain housing stock, the presence of such income does not, by itself, assure that necessary repairs will be made. If the Congress seriously wishes to improve the housing conditions of the poor, it should stipulate that monies paid directly to the landlord must be used to make any necessary repairs or improvements in a building. Without this provision, Section 505(a) simply provides a guaranteed income for landlords without requiring any commitment from them to use monies for the purpose for which they are intended.

Section 505(a) is potentially harmful to recipients in that it assumes, often wrongly, that recipients will freely decide whether or not to request rent pay-

ment in the form of a two-party check. While it is true that some recipients may request a two-party check to assist them in budgeting their monthly allowance, the advantages of such an option are more than offset by the dangers to other recipients who may be coerced into such an action either by welfare officials or by landlords and/or utility representatives. Given the control which caseworkers exercise over the lives of recipients, the inability of the welfare department to communicate effectively with clients, and the dependence which recipients have on the good will of landlords, it is difficult to imagine how a situation of true voluntariness can be ensured.

Even if Sec. 505(a) were capable of meeting its stated objectives, experience with state and local welfare agencies indicates that the administration of such a statute would, in all probability, differ sharply from that envisaged in the legislative intent. Local agencies are notoriously late in the processing of applications and requests for changes made by recipients or others. Such delays could easily trigger situations where recipients' requests to cancel two-party payments would not be acted upon, or where direct payments would go out to landlords long after recipients had moved to a new apartment.

We are fully cognizant that the issue of non-payment of rent by welfare recipients is a serious problem, and that it is, no doubt, a contributing factor in the continuing deterioration and abandonment of some of our housing stock. It is vitally importat that representatives of all points of view in this debate sit down to explore and reach agreement on action that will protect the rights of both landlords and tenants. In the interim, the solution is clearly not to abridge the rights of one party, without consideration of the inter-related nature of the problem.

Attachment No. 2

Prepared Statement of Joseph E. Jenkins, Executive Director of United Neighborhood Houses of New York, Inc.

Mr. Chairman and members of the Committee, I am pleased to have this opportunity to discuss some of the legislative recommendations of the Committee concerning public assistance programs. My name is Joseph Jenkins. I am Executive Director of United Neighborhood Houses of New York, Inc., the federation of 35 multi-service settlement houses and neighborhood centers operating in 70 low-income neighborhoods in New York City. I am speaking on behalf of the Board of Directors of UNH and of its affiliated settlement houses. My testimony reflects both the citywide experience of a large voluntary organization and the problems raised in administering and implementing programs in the poverty areas of New York City.

1. IMPLEMENTATION OF TITLE XX

I should like to speak first to the problems arising in a city like ours in implementing the social services programs under Title XX and to our concern with respect to the use of the additional funds made available in 1977 as a result of the enactment of Public Law 94-401. My organization has, over the past five years, sponsored and administered a Home Management Program funded initially under Title IV-A and subsequently under Title XX. Indeed, at the present time, ours is the only Home Management Program in New York State that is funded under Title XX and operated in 22 sites by a multi-service voluntary federation. The current funding in the amount of $844,699.00 is on the basis of 75% from federal funds with a 12½% state and 12½% city match. In some of the earlier years, the state and city match was provided from funds obtained by UNH from a third party. I am attaching, as part of this testimony, a statement which indicates the use we have made of these funds and our experience with monitoring the accountability of our sub-contractors (the settlements) both with respect to the program and the use of funds.

In addition to the Home Management Program, UNH serves as a coordinating agency for child care programs in many of its affiliated settlements. The associated settlement houses provide day care programs funded under Title XX for approximately 5,600 children on a year-round basis. These programs include 40 full day care centers (serving approximately 3,000 children), 20 after-school programs (serving approximately 1,800 children), and eight family day care

programs (serving over 800 children). Thirteen of the settlement houses operate federally funded—but not from Title XX—Head Start programs serving over 1,000 families.

Other programs funded under Title XX and carried out in the settlement houses are designed to assist senior citizens. Our senior citizens programs reflect the diversity of need in low-income areas in New York City.

On the basis of our experience with varied Title XX programs, we strongly urge you to reconsider the Title XX ceiling and to raise it so that more funds could be made available for essential services at the local level. If our organization could obtain more funds, we know we could do a more extensive job reaching out to more poor people and helping them to become self-sufficient. We could, also, in the field of the aging, especially in light of the group eligibility provisions of PL 94-401, prevent many of our senior citizens from requiring institutionalization. We know that our experience is also true of the programs that are governmentally funded and operated by other voluntary agencies.

Specifically, in regard to PL 94-401, we are concerned with the action taken by our state which appears to have made a decision to use the funds made available in a way that subverts the intent of Congress. We recognize that it was a deliberate decision on the prrt of the Congress to leave maximum responsibility to the individual states and not to earmark the funds for specific programs. However, we assume that the Congress—in particular, your Committee—on the basis of the language used both in Committee and in the debate in the Congress, intended that these funds would be used to enable quality day care to be provided during the period when day care standards were being revised by HEW.

In New York, the funds have so far been retained by the state to meet its own budgetary shortages. Those of us who are responsible for the provision of social services at the local level have attempted to obtain the release of these funds for use by local communities and have urged the Governor to reconsider the state action. I am attaching a copy of a telegram addressed by the President of our Board to Governor Carey in which we urged him not to use the funds for state administrative purposes and to make them available for the use for which they were designed. We hoped that we could convince the Governor.

The results of the action to date of New York State in not releasing the day care funds to the local communities has been a series of budget cuts which seriously endangers the provision of quality day care in New York City. Had the funds that New York City expected to receive under PL 94-401 been used for the direct provision of services, some 45 day care centers and an even larger number of family day care programs might have continued in operation at least for the year 1977. In addition, essential family counselors might have been restored to day care programs. The role of the family counselor in earlier years was a key to relating day care to family needs, enabling provider agencies to deal with the family impact of the programs they operate.

We hope that your Committee will authorize, as you suggested in the report, the $200 million in addition to the funds made currently available under Title XX for at least another year, but we urge that these funds be earmarked for programs for children. We also believe that there must be a maintenance of effort provision included in any new legislation so that states cannot use such funds for other purposes nor substitute them for existing expenditure for child care. Such a provision would enable Congress to monitor the expenditure and ensure that the funds are really used in the way that Congress intended.

While we hope that funding will continue to be available for these purposes in the future, we would be happy to see an additional one year entitlement so as to permit full consideration of the use of funds for service to families and children in the light of the family impact studies, the proposed White House Conference on Families and welfare reform.

2. AFDC WORK EXPENSE DISREGARD

The second item which I would like to address is the AFDC Expense Disregard. We understand the desire of the Administration to standardize the work

expense disregard and we also understand the desire of your Committee to postpone acting on this issue until general welfare reform proopsals are completed. However, our experience in dealing with welfare clients in New York City indicates that work expenses in a city of this size are far higher than in many other areas, even within the State of New York. For example, transportation to work for many individuals now costs $2 in subway fares, and it is believed that this amount will be increased in 1978. Transportation costs are still further increased when a parent must take a child to day care in order to be employed.

We believe that a standard disregard would penalize persons living in New York City who seek to earn more than their welfare payments. We have already seen the hardships caused by fixed shelter payments for persons in New York State on Home Relief. The effect of standardizing job related expenses would not take into consideration many of the special employment needs encountered in New York. We urge that regional variation and itemized expenses be continued—at least until there is real welfare reform.

3. TITLE IV–B ENTITLEMENT FUNDS

With respect to the Title IV-B child welfare services, we strongly support the Committee's approach that funds be available as an entitlement rather than through the use of limited appropriations, such as that called for under President Carter's budget. We agree with the Committee that it is essential that the Title IV-B funds be used to complement and not substitute for current state and local expenditures and that emphasis be placed on preventive services and alternatives to long-term foster care. Our concern with the need for full funding of preventive services is indicated in another attached telegram to the Governor and to the state legislators protesting a suggested cut in the 1978 budget for state funding of preventive services.

The experience of our settlements in developing preventive services programs indicates the value of broadly conceived, but clearly accountable, programs, of the kind that have developed by voluntary agencies and administered at the local level. We have developed a preventive services proposal to deal both with potential child abuse and submitted it to HEW for funding (under the previous Administration). While our proposal was considered of gerat interest by HEW, it was not given final approval and was referred to the state for funding. It was approved by the New York State Department of Social Services but not by the Governor's Budget Office. We are now in the process of preparing a refined version of a proposal for preventive services in the field of child abuse which will make use of recent experimentation. We shall seek Title IV-B funding for this purpose.*

4. CHILD SUPPORT (TITLE IV–D)

We are refraining from presenting any specific comments with respect to the issue of federal reimbursement for child support enforcement for non-welfare recipients, since our clients have not made any substantial use of the provisions under PL 94–401. We do not believe that the program has been effective for either welfare or non-welfare recipients—to any substantial extent. We believe that it would be fare more useful to strive to find constructive measures that would encourage parents to contribute to the support of families from which they are separated rather than attempting to use the punitive measures of the law.

5. H.R. 6124

Finally, I wish to address the provisions of HR 6124 which we believe provides a substantial improvement with respect to Supplemental Security Income benefits. We are particularly glad to see that the outreach program developed under this bill permits the Secretary to make arrangements with private nonprofit organizations for the performance of outreach. We know that this has been done in certain specialized fields and hope that the authorization and appropriation of funds will permit more extensive use of organizations such as ours, to inform individuals who may be eligible of the nature of the benefits that they may obtain. We believe that community agencies, such as settlement houses, can play a constructive role in this field—at lower cost than that of government agencies.

* A summary of UNH's initial proposal is attached to this testimony.

However, we are concerned at the change in the computation period for determining SSI benefits. It seems to us that a monthly computation may, in some cases, be a hardship for individuals concerned, especially if any additional certification is required. However, we recognize that using the monthly period can be of substantial benefit in terms of rises in the cost of living or seasonal employment—an advantage which may outweigh any administrative disadvantages.

In closing, I want to stress our appreciation of the approach of the Committee to the problems arising out of revenue sharing for social services, our belief in the role of the federal government in evaluating such services, and earmarking funds accordingly. As I indicated earlier, those of us who provide services are fully aware of the need for federal standards, requirements that states "maintain" their own existing efforts, and of public discussion of the effect on the lives of the recipients of the services provide. Again, may I thank you for this opportunity to state our views.

ATTACHMENT I

SUMMARY STATEMENT OF THE HOME MANAGEMENT PROGRAM OPERATED BY U.N.H.

Since January 1, 1972, the settlement system has been providing home management services for low-income people in four boroughs of the City. Initially, the program was funded under Title IVA of the Amendments to the Social Security Act and is presently funded under Title XX.

The program represents a major effort by the City and the settlement system to deliver social services under the purchase of services arrangement. In 1972 the program was funded for $1.2 million; grew to $1,424,699 in 1975 and was cut by $580,000 (40.7%) in January of 1976, and now has an operating budget of $844,699. Despite these cuts, the program is successfully achieving the federal goals:

1. Achieving or maintaining economic self-support to prevent, reduce, or eliminate dependency;

2. Achieving or maintaining self-sufficiency, including reduction or prevention of dependency;

3. Preventing or remedying neglect, abuse or exploitation of children and adults unable to protect their own interests, or preserving rehabilitating, or reuniting families;

4. Preventing or reducing inappropriate institutional care by providing for community-based care, home-based care, or other forms of less intensive care, or

5. Securing admission or referral for institutional care when other forms of care are not appropriate, or providing sevices to individuals in institutions.

In 1975 fouteen agencies provided services and presently twenty-two agencies are involved.

With the curtailment of the City's CHANCE program, the UNH-sponsored Home Management Program is the only program that provides home management services in the City. As noted earlier, settlements involved in the program are located in poor neighborhoods and, as a result, the Program's consumers are made up of a substantial number of impoverished people. We feel that this Program is making a significant contribution to the lives of people and has been an effective means of stabilizing neighborhoods.

The following represents some of the major program achievements to date:

The program has provided valuable information to Program participants which has allowed them to more effectively participate in our market economy.

The information disseminated through the Program components has significantly increased the number of options open to different economic groups,

Many additional services have been made available to the uninvolved. This is especially important at a time when City services has been cut back.

We feel that we have begun in a modest way to reverse the process wherein the poor historically must pay more.

This program has made a major contribution toward improving family functioning. Since there is a direct correlation between neighborhood life and family functioning, we have substantially improved neighborhood life.

The social distance between landlords and tenants is frequently identified as a major cause of poor housing. This program has closed the gap to some extent between these two economic groups by providing means of communication and constructive identification of common interests.

The Program has similarly facilitated interaction between different ethnic, social, and economic groups, and has substantially reduced community tension.

We feel that consumer education demonstrates the effectiveness of group purchasing; this is best reflected in our group buying activities.

At a time when everyone in our country is feeling the economic squeeze, this Program has provided creative ways to allow poor people to improve their home environment. This has been done through special sewing courses, crafts programs, clothing repair sessions and apartment decorating courses.

This program is structured in such a way that *neighbors learn from neighbors.* It is not uncommon to find in a typical group—60% recipients of public assistance, 30% of the near poor, and 10% representing housewives of policeman, fireman and other "middle-class" people.

Another major benefit of the Program has been an increase in the amount of cultural exchange between and within different groups. For example, one can go to the cooking classes at University Settlement and learn Chinese, Soul, Jewish, and Puerto Rican cooking.

The Home Management Program in essence provides a central location for multi-services.

[Mailgram]

ATTACHMENT No. 2

UNITED NEIGHBORHOOD HOUSES, INC.
New York, N.Y., March 5, 1977.

JUDAH GRIBETZ,
Executive Chambers,
State Capitol,
Albany, N.Y.

This mailgram is a confirmation copy of the following message:

United Neighborhood Houses of New York Inc. representing 250,000 consumers of social services, including thousands of daycare families, vigorously protest the transfer of Mondale-Packwood funds from hard-hit daycare programs to State use for administration and income maintenance. This violates the clear intent of Congress that this money be used for direct delivery of daycare services only, organizations in seven States are filing suits to prevent this type of manoeuvre. New York City agencies are considering similar action. Strongly urge you to reconsider the State action and make any necessary budgetary changes. Second, in view of the inclusion of the additional $200 million in the Carter amendments to the Ford 1978 budget to assist States to maintain daycare services and improve standards we urgently call for your public commitment that New York States share will go to the direct provision of daycare services.

MRS. ARTHUR WITTENSTEIN,
President.

[Mailgram]

ATTACHMENT No. 3

UNITED NEIGHBORHOOD HOUSES OF NEW YORK INC.
New York, N.Y., December 14, 1976.

HON. HUGH L. CAREY,
Governor of the State of New York,
Executive Chamber, Capitol,
Albany, N.Y.

This mailgram is a confirmation copy of the following message:

We have been informed that the proposals for the 1977–78 budget do not include any increase in the appropriation for preventive services to children and their families and in fact that consideration is being given to reducing or eliminating this appropriation. On behalf of the constituents of United Neighborhood Houses and those served by the thirty six New York City settlements, we would urge that any such decision be reconsidered. We believe that at least the 3.75 million dollar appropriation contained in the 1976–77 budget is essential for carrying out vital projects that may prevent the removal of children from their families and serve such families at the community level. We urge that you take into consideration the value of such projects even in a time of fiscal crisis.

JOSEPH E. JENKINS,
Executive Director.

ATTACHMENT No. 4

CHILD ABUSE PREVENTION

PROJECT SUMMARY

This is a three-year project, but funds in the amount of $243,462.00 are being requested for the first year on a 50% State, 50% local match basis. The City share will be provided from private funds. The project is intended to demonstrate that child abuse and neglect can be prevented or decreased by the use of neighborhood-based services, especially designed to strengthen family life and reduce or eliminate some of the factors of abuse. It is recognized that much of the harsh treatment faced by so many of our children is the result of family break-down and the unavailability of resources and support to families in need. Prevention of abuse frequently depends on identification of factors that would lead to neglect, maltreatment. or abuse.

The objective of the present project is to develop measures to overcome these problems by making use of the resources and facilities that settlement houses can mobilize at the community level.

The project will be administered by UNH, the federation of New York City Settlements, and will be initially implemented by two settlement houses with long experience in dealing with the problems of families and their children in two widely diverse economic and social areas. The settlement house will serve as the focal point for coordination of all available services and resources to make it possible for children who are at risk to remain in their own neighborhood and at the same time provide social support and counselling to potentially abusing or neglecting family members.

Two important new service mechanisms will be provided to the communities. One will be based on a service-by-neighbors concept; and the other on organized peer groups which can provide "non-labelling" services.

Coordination of services, supervision, monitoring, and evaluation of goal achievement will be provided on an on-going basis by UNH. A special evaluation design will be developed during the first phase of the project.

In the first year the project will be limited to UNH and two settlement houses. In the second year we urge that it be extended to two or more additional settlement houses in upstate cities who are members of the New York State Association of Settlement Houses. The State Association and United Neighborhood Houses will consult with appropriate governmental agencies to determine how and where the project should be extended.

In the third year it is hoped that a substantial number of additional neighborhood centers and settlements will become part of the demonstration project. [1]

PREPARED STATEMENT OF JAMES DUMPSON, PRESIDENT, COUNCIL ON SOCIAL WORK EDUCATION

The Council on Social Work Education ("CSWE") is an accrediting body and educational association of 80 graduate schools and some 200 undergraduate programs in social work, social service, and social service administration. This testimony is in support of an amendment to the private donation provision of Title XX of the Social Security Act permitting educational and training institutions to place some restrictions on donations to the state of funds which are intended to constitute the state matching share for Title XX training expenditures. This amendment would alleviate unintended discrimination against private universities that provide personnel training in social services, and would give states the proper discretion to determine which institutions can provide Title XX related personnel training.

Under Title XX, Federal funds may be expended to match state funds for social services to eligible individuals and for training and education programs. The matching provisions are 75% Federal funds to match 25% state funds; or put another way, the matching expenditures are three Federal dollars for every one state dollar spent on an eligible activity. Federal funds for services are

[1] It is probable that settlements in Schenectady, Poughkeepsie or the Binghamton-Elmira area will be selected.

limited to $2.7 billion, while Federal expenditures for training and education are unlimited by law. The current level of Federal expenditures for training and education related to social services is estimated at about $40 million to $45 million. The budget estimate for FY 1978 expressed in the HEW budget justification does not distinguish between training and education for social services and income maintenance, but shows a total estimate of $75 million. Based on prior experience, it is reasonable to assume that social services training accounts for about $45 million of the $75 million. As the Senate Appropriations Committee Report on the FY 1978 appropriations bill states "spending of less than 1% of service costs on training does not seem excessive". Based on 1972 data, it is estimated that about half of the $45 million goes to universities and colleges by grant or contract with the remainder for in-service training.

Under Section 2002(a)(7)(D) of Title XX, Federal expenditures may be made to match state expenditures which are financed by private donations of funds to the state by service providers or training institutions. However, Section 2002(a)(7)(D) requires that such donations be unrestricted where the donor operates a program to be funded by the Federal Title XX funds. As a result, a private university which has a social work training program cannot now donate funds to be used as the state's Title XX match if it indicates that the funds must be used to provide social service training. In the case of education, this provision has worked a serious hardship on and discriminated against all private universities. Trustees of private universities are constrained by law and otherwise from making unrestricted gifts of university money. Obviously, the trustees have a duty not to give away university money without some assurance that it will be expended for a university purpose. Yet, Section 2002(a)(7)(D) prevents restrictions as to the use of university funds which a university might place on funds it donated to the state Title XX agency even though such restrictions might recite only that the funds were to be used in combination with Federal Title XX funds to finance training for state employees at the university.

State universities or colleges do not have this problem. The matching share of these state schools is financed by state appropriations. Thus, Section 2002(a)(7)(D) discriminates against private schools and against states which have a predominance of private universities and colleges such as Massachusetts and New York.

An actual case will illustrate the problem.

The State of New Jersey approached the social work center of a private university to undertake a program for State employed paraprofessionals to earn their professional bachelor's degrees in social work on released time, while continuing to work for the State. It was to be modeled after a similar, successful program, undertaken previously by the center. The financing of the New Jersey program depended on a contribution to be used as State funds for matching the Federal Government's Title XX allocation. The university was prepared to make the donation from a restricted endowment fund whose stated purpose was the education and training by the university of personnel for social services administration and delivery. The State, however, was forbidden by Title XX regulations from making a formal commitment to use the donated funds for the desired program, and the university was thus unable to make the necessary contribution. The program is now being held in abeyance. The anomaly is that a tax supported university could have made this arrangement with no problem and that a private university could not.

The public policy issue involved is not just a question of equity between public and private universities. More importantly, the issue is whether a state should have access to all of its available educational resources without prejudice. Private universities and colleges having accredited social work programs have always been major resources in educating and training personnel for social services administration and delivery. At the graduate level, ten states have one-half or fewer of their available social work programs in public universities; of these, Colorado, Massachusetts, and the District of Columbia have none. On the undergraduate level, eleven states have one-half or fewer of their available social work programs in public universities; Massachusetts and the District of Columbia have none.

States do not and sometimes cannot finance the state share for training at private schools with state money. In Massachusetts, for example, there is a state law prohibiting state appropriations to private education. Similar restric-

tions have existed in other states. In any event, since states already have an appropriation for the state schools which can use the Federal matching, it makes little sense to appropriate additional funds to private schools for this purpose.

The schools or programs of universities and colleges which have heretofore participated in Title XX education and training activity are schools of public health, public administration, social work and business. In some states, comprehensive training programs have been negotiated with entire universities. The University of Washington is an example.

The most frequent users of Title XX training funds are our member schools and programs in social work and social services administration. Probably 80% of the training funds used by universities are used in such schools. Of the total $45 million estimated in the Title XX training budget, much of the money is used for in-service training and does not go to schools. If universities and colleges presently receive about $25 million of the total $45 million, a reasonable estimate, one could assume that that figure might grow by ⅓ if this amendment were enacted. About ⅓ of the social work and social service schools and programs are private and they are the schools and programs which use this money most frequently. However, since the amendment still limits the circumstances under which private donations can be used to be matched by Federal money (only where restrictions placed are to comply with specific restrictions in state plans), growth by a full ⅓ ($8 million) is unlikely as a result of this amendment.

Our suggested amendment to allow private donations to be restricted is limited to restrictions imposed by non-profit educational and training institutions. The restrictions permissible are only those which are intended to comply with and reflect similar provisions set forth in the state social service plan. A state could therefore totally control whether restrictions on private donations were allowable. A state would have to specify the restrictions permitted, such as the schools to do the education and training, the type of training, and the clientele to be trained. The universities and colleges would then be permitted to make a donation of funds for the purposes specified in the state plan with the state plan restrictions placed on the donation.

It would be acceptable, in our opinion, if private agencies making such donations were also required to maintain their pre-existing effort in the particular education program as a method of assuring that the universities and colleges would not use Federal funds to refinance private money.

A text of a suggested amendment is enclosed for insertion in the record. This amendment is supported by the Council of Jewish Federations and Welfare Funds, an umbrella organization for 215 Jewish Federations and Welfare Funds and over 600 affiliated agencies which provide a wide range of social services in over 800 communities throughout the United States, and by state social service agencies with which it has been discussed, e.g., New York.

JUNE 29, 1977.

TRAINING AMENDMENTS TO PERMIT PRIVATE DONATION AS MATCHING FOR TRAINING WITH RESTRICTION ON DONATION

Amend Section 2002(a)(7)(D)(ii) of Title XX of the Social Security Act by adding the following after the word "provided":

"or restrictions imposed by any donor on funds to be used for training purposes when the restrictions are to meet state plan requirements related to training."

EXPLANATION

Current law prohibits private donations of funds to be matched by Federal funds unless three specific conditions are met. The first and third of these restrictions cause no problems; they simply require donations to be transferred to the administration control of the state (a donation is inherently a transfer) and prohibit the donated funds from reverting back to the donor unless it is a non-profit agency. The second restriction imposes serious burdens on private organizations in the training and education area and this amendment cures that problem.

The second condition on the basis of which private funds can be donated and Federally matched is that no restrictions be placed on such donations.

There are two exceptions: (1) restrictions limiting the geographic area within which services supported by the contribution can be provided; and (2) restrictions as to the services themselves with respect to which funds are provided so long as the donor making the restriction is *not* the operator or sponsor of the program. Thus, a private university desiring to train state employees of a social service agency cannot provide the funds to be Federally matched but a state university can. The state university is not a private organization so its budget can be used as a matched sum if it has a training program for the state social service agency in its budget. The private university cannot transfer funds without some restrictions related to the assurance that the state will use those funds for the educational purposes of the university. This amendment will allow the private university to make a restricted donation to the state protecting the private funds so long as the restrictions meet similar restrictions in the state plan related to training. Thus, if a state describes a training program to include certain types of training, for certain individuals at certain schools, the private university may similarly restrict its own gift to meet the requirements of the plan. What is created is in reality a contract between the two organizations with the state serving as a trustee of Federal funds.

Without this amendment, private universities are very unlikely to participate in the state training programs. They are legally at risk if they transfer funds without restrictions assuring their use for certain university purposes. Without transferring funds, the private universities will participate only if the state will appropriate funds to them for their use for social service training. This is highly unlikely since states already have higher education budgets for state institutions and will use those appropriations not new ones for non-state schools. There are also some legal restrictions on direct state aid to private universities, particularly if they are religious colleges or universities. Some few states do have restrictions on direct aid to any private educational enterprise. In any event, the provision of this aid has not been available to private schools to date and they therefore are not participating in Title XX training. Massachusetts and New York are good examples and there are many private universities in those states. Massachusetts does have a state law prohibiting aid to private universities.

RICHARD E. VERVILLE, *Counsel.*

PREPARED STATEMENT OF DELEGATE ANN R. HULL, MARYLAND GENERAL ASSEMBLY

TITLE IV. SEC 402(A) FOSTER CARE PROTECTION

HR7200 provides substantial additional funding for child welfare services, with the primary intention of providing for children a permanent and stable home setting. In order to be eligible for this assistance, the bill requires compliance with eleven conditions for a state foster care program. Secretary Califano has suggested that the federal government does not wish to "cross every 't' and dot every 'i'" in this program. I believe the conditions outlined go far to doing just that.

Standards 1–5, Sec. 427(1)-(5) are a fine statement of policy. Involuntary foster care placement is in all cases a judicial determination in Maryland, although the particular findings set forth in Sec. 427(2)(A & B) are not required. The problem with the specificity as to preventive services in these passages is that one can easily think of a situation in which foster care is clearly the arrangement of choice for the child—e.g., indeterminate hospitalization of a single parent. The court should be able to make this determination.

Standard 6, Sec. 427(6) requiring that an individual case plan be prepared is as excellent one. It will force a review of every child now in care and can be a good device to plan for limiting duration of care when children are first placed. Some Maryland jurisdictions are experimenting with "contracts" for actions by the natural parents and the local agency upon entry in care to establish a time table.

It should be possible to review the plan every six months, probably not by a court because of judicial manpower limitations. Two Maryland subdivisions are considering use of citizen review panels in this connection. The law should make plain that, with judicial and agency approval of the arrangements, this is not precluded.

In Maryland the predecessor of subsidized adoption was "long term care short of adoption". In this case parental rights are terminated and the agency holds guardianship. The placement is judicially approved and expected to last until the child reaches majority. Agency supervision is agreed to be minimal. In my own country 116 children are in this status. There should be opportunity for waiver of the newly required reviews and hearing when this arrangement clearly is stable.

Standards 8-10, Sec. 427(8)-(10) would require change in Maryland law, and this is the case in many states. As to its substance, one can reasonably decide after 18 months what can happen for a child. I am concerned, however, about the language of (8)(A)(iv) & (9)(A)(iii), which appears to limit the reason for a permanent long-term foster care placement to a *child's special needs.* What is at issue is the best interest of the child, and any child needs stability in a nurturing environment. Children coming to care for the first time increasingly are teenagers (half in one suburban Maryland jurisdiction). There is little reason for an agency to seek diligently for an adoptive home for a 15-year old. Parents may be unable or unwilling to resume care. For some children, a group home is the only stable situation they have ever known, even if they still derive some benefit from contact with natural parents. In short, the implication that permanent foster care means that there must be something wrong with the child should be corrected. All options should clearly be available to the court.

It should be recognized that the state legislation required may be difficult to pass. There is resistance and hostility among state legislators to proposals that are justified as a federal requirement in order to get federal dollars. The more detail included which departs in particulars for this single program from the State procedural standards for all other programs, the most difficult it may be. It would be unfortunate to deny to children the benefits that are intended by this legislation because of mutual governmental mistrust.

TITLE V SEC. 502(A) FEDERAL PAYMENTS FOR FOSTER HOME CARE . . . IN PUBLIC INSTITUTIONS

The change which permits AFDC foster care payments to be made to publicly run group homes is a most helpful one to the states. It has been very difficult for private non-profit groups to establish and maintain these facilities for juveniles, as alternatives to institutional care. Consequently, the State has begun a limited program.

A further change that would be of great benefit would continue Medicaid eligibility for the same children. A child in foster care (whether federally assisted or not) in a private non-profit setting has a Medicaid card, but loses the card when in a state group home.

TITLE V. SEC. 503(A) ADOPTION SUBSIDY

Maryland has had an adoption subsidy program for many years. Originally there was income assistance to permit very low income families to adopt and more recently a program to encourage adoption of hard-to-place children without regard to income of the adoptive family. Of course, it is fully paid for by the State, and additional help will be welcome.

I believe the program will be of very limited use, however, unless some changes are made.

(1) Continuing Medicaid eligibility is essential. In these days of high medical cost parents simply do not dare risk adoption of children with problems. The Maryland program has been immobilized waiting on inter-agency agreement on paying Medicaid costs. The limitations of HR7200 that health costs would only be met for conditions identified as existing prior to the adoption also creates an administrative problem of mammoth proportions. In fact, just the prospect of another agency's involvement in paying for health care can hardly be faced.

(2) The limitation on time payment of cash subsidy should be eliminated. The relationship to length of time in AFDC foster care is illogical. It would provide that a cash subsidy for a one-year-old could not last beyond two, though the expenses would go on for 16 years. On the other hand, one child of 12 might have one year's subsidy and another could receive it as long as he

is a minor. For a child with problems the extra costs are not limited to direct medical expense. They include transportation to clinics, trips to police stations, damage that the child causes.

(3) The special possibilities of foster parents as prospective adoptive parents should be acknowledged in the law. The following language is in the Maryland law. "Application . . . shall show that all reasonable efforts have been made to place the child without subsidy. However, with respect to a child who has established emotional ties with a foster family, no proof of efforts to find placement with another family shall be required of the foster family applying for the subsidy."

PREPARED STATEMENT OF THE CHILDREN'S DEFENSE FUND
JULY 22, 1977

The Children's Defense Fund is pleased to have the opportunity to submit written testimony to the Senate Finance Committee on the child welfare provisions of H.R. 7200 and related proposals of concern to this Committee.

The Children's Defense Fund is a national, nonprofit, public interest child advocacy organization created in 1973 to gather evidence about, and address systematically, the conditions and needs of American children. We have issued reports on specific problems faced by large numbers of children in this country, and will issue several more in 1977. We seek to correct problems uncovered by our research through federal and state administrative policy changes, monitoring, litigation, public information and support to parents and local community groups representing children's interests.

CDF'S INTEREST IN FOSTER CARE

CDF has just completed a two year study of public responsibility to children out of their own homes and in foster care. The study involved an examination of the relevant policies and practices in seven states: Arizona, California, Massachusetts, New Jersey, Ohio, South Carolina and South Dakota. It also involved an analysis of the impact of current federal legislation and policies on children at risk of removal from their homes, children in out of home care and the families of both groups. The full report will be published this fall. An overview of our findings, Children Without Homes, has been submitted along with this testimony. (See Attachment One)[1] In addition, CDF has been involved in litigation that has successfully challenged the placement of large numbers of children in adequate or otherwise inappropriate institutions.

STUDY FINDINGS

As a context for our discussion of H.R. 7200, we would like briefly to highlight the three major conclusions from our study of children out of their homes.

First, in every state and almost every country visited CDF found either official policies or local practices, or both, that reflect a strong anti-family bias toward children at risk of removal from their homes or in out of home care. What do we mean by anti-family bias? We mean that by the action and inaction of those with public responsibility, children and their families are cut off from each other. The children are cut off from a sense of belonging to their parents, and the parents are often prevented from carrying out their responsibilities to the children. How does this happen?

It happens when children are taken from their own homes unnecessarily. It happens when a mother is overwhelmed by the demands of a handicapped child, and no specialized day care is available to give her some respite. It happened frequently to families identified by our study when, during cold spells, furnaces broke, and there was no money for repairs. As a result, these children are often removed from their own homes and placed with strangers, sometimes never to return home again. In one case in which we gave assistance a two year old boy was placed in foster care after the mother and father separated. The mother was looking for a job, but could not find work. She could not get welfare for six months. So the two year old and four older children were all, at considerable public expense, placed in foster care against their mother's will.

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[1] The attachments were made a part of the official committee file.

The mother eventually remarried, and the four older children were returned. The little boy, by then four, had developed "emotional difficulties" and the welfare department would not return him. By the time he was ten, he had been in two foster homes and three institutions, two out of state.

There is no question that some children do need to be in foster care. But what we found, over and over and over again, is that many children end up in foster care because there are simply no alternatives. The money for preventive services—services to prevent placement is not there; money for out of home care is. The situation in Los Angeles offers a sense of the magnitude of the problem. Consider, for instance, that at the time of our visit, this city, with a population of seven million, had only 61 homemakers for families as part of a special program designed to prevent the placement of children in foster care. Many of the 27 counties we visited had only two homemakers available, and they served the elderly as well as children. Sometimes, parents do not even know alternatives to having their children leave home are available. Almost one third of a random sample of parents of children in foster care in Massachusetts in 1971 felt that placing their children in foster care would not have been necessary had other options been considered. Homemakers, day care and other child care arrangements were discussed in less than three percent of the cases.[2] We found this to be typical.

The anti-family bias continues once the child has been removed. Willing relatives are rarely sought out to provide care. Despite the rhethoric, there is little help to the parents to enable them to prepare for the child's return. Indeed, often poor parents cannot even visit the children because they have no money to pay the transportation costs and child welfare funds for these purposes are almost non-existent. When parents request the return of children placed voluntarily by the parents, often they are refused. The possibility of a child knowing that his or her family cares is even further reduced by the distances of the placement—from the home. Many are placed out of their own countries, and some are even placed in other states. We estimate, for instance, on the basis of a special survey we conducted that over 10,000 children are placed in states other than the ones which have responsibility for them. Overall, we estimate there are betwen one-half to three-fourths of a million children in out of home placement. Of these, many are cut off from their parents by public systems responsible for them. This has crucial implications for how Title IV–B money should be used.

Children are also often abandoned by the public systems charged with responsibility for them. Money is being spent for these children, often federal money, and no one knows what is happening to them. One county in Ohio, we were told, did not even keep case records on children; it kept a list of the names of the children in foster care on a yellow legal pad. Based on a survey of 140 counties which CDF conducted, responding child welfare officials could not provide data on the age of 49% of the children reported to be in their care, on the length of time in foster care for 83% of the children, and on the number of times the child moved from one foster home to another for 87% of the children.

Caseloads in most of the counties are so high that real attention to the child or the family is impossible. In one California office, they were up to 79 per worker, leaving no time at all for the worker to get to know a child or to plan for the child, let alone take the parents to see their child. When children are sent to residential treatment facilities workers often know little about these facilities. One caseworker told of her horror of having sent an adolescent girl who was very, very bright to a special school for exceptional children, a school which was in another state. After the child had been there a year the caseworker learned from the child that the facility was for retarded children. The facility never told the state paying the bill that the placement was totally inappropriate. Nor did the paying state require that the worker, or any other representative, visit the girl to learn firsthand about her progress and the program. Children are also abandoned by the State when they are moved from one foster care setting to another, and when they are simply left in foster care. In our survey 18% of the children had moved three or more times, and incredibly, 52% had been in foster care two years or more, 20% six years or more.

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[2] Alan R. Gruber, *Foster Home Care in Massachusetts* (Massachusetts: Governor's Commission on Adoption and Foster Care, 1973): 46–47.

State laws contain few protections against unnecessary placements, or against the inappropriate placement of children and the interminable stays of children in out of home care. Preventive services are not required prior to removal and periodic reviews of a child's progress are often pro-forma.

Third, the federal government does little to reverse the anti-family biases or to meet its responsibility to the children and the taxpayers to ensure that the federal funds are well spent. In fact, the two major federal programs, the AFDC Foster Care Program and the Title IV–B program do nothing more than provide, at great expense, for children to remain in the limbo of foster care, away from their natural families or from new permanent families. There are minimal requirements in these programs—that there be a case plan, and that the child's status be periodically reviewed—but even these are typically ignored, as recent GAO and HEW audits have shown.[3]

The fact is the federal government has long been involved in the problems of child welfare, but rather than taking a leadership role, or strengthening the service structure to ensure children permanent homes, the government has had a largely negative impact. At present, the federal government provides no child welfare money specifically earmarked to prevent family break-up or to ensure permanence to children. Title IV–B as presently structured may be used in these ways, but in fact, it is overwhelmingly used for out of home care, at least 70% in Fiscal Year 1976. This sharply reduces the range of preventive services available.

The other major federal program, the AFDC Foster Care Program, may be used only for foster care maintenance payments (i.e. bed and board). The funds may not be used for services to enable a child to remain in his own home, or to provide subsidies to enable a child to be maintained in an adoptive, permanent home. A child becomes eligible for this program only after a judicial determination that removal is in the child's best interest. The standard does not require that for an involuntary court ordered removal there be evidence that the child will be harmed by remaining in the home. Theoretically, the judicial determination prevents the inappropriate removal of a child. In many states, however, since such a determination triggers federal funds, the determination becomes a rubber stamp. Some states simply routinely have the courts review all placements, even children placed voluntarily by their parents, just to increase the availability of federal dollars.

A judicial determination is not to be confused with a subsequent review to assess the need for a child to continue in care. The AFDC-FC program does now require that the child's case be reviewed periodically. However, the program does not require that there be a dispositional review, to ensure that once admitted, a child does not needlessly remain in the system.

To put it bluntly, the federal government by the funding priorities in the AFDC-FC program, and the failure to target money specifically for prevention and reduction of foster care in the Title IV–B program actually encourages the removal of children from their own homes, and discourages the placement of children who cannot be returned to their own homes in adoptive homes.

This hardly reflects a commitment to families. It is also a cost ineffective strategy since targeting money for prevention, for periodic reviews and for costs related to the termination of parental rights and the adoption of children can reduce the need for foster care and hence the expense. (See Attachment Two for a summary of relevant studies). As the federal program is now structured, the funds keep coming, regardless of how long a child needs care, regardless of whether he should be returned home or adopted. And so, children are not returned home or adopted.

Title XX funds can be used for preventive services and for family reunification services but they are not being so used. Moreover, although a significant percentage of Title XX funds are being used for day care, it is generally day care for children of working mothers, not to prevent the removal of children

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[3] See for example, General Accounting Office, Children in Foster Care Institutions: Steps Government Can Take to Improve Their Care (Washington, D.C.: General Accounting Office, February 1977); and reports by the HEW Audit Agency's Philadelphia Regional Office, Review of AFDC Foster Care Program Administered by the Department of Public Welfare, Commonwealth of Pennsylvania (Washington, D.C.: HEW Audit Agency, May 1976; Audit Control No. 03–60254), and Report on the Aid to Families With Dependent Children Foster Care Program, Commonwealth of Virginia (Washington, D.C.: HEW Audit Agency, June 1976; Audit Control No. 60253–03).

from their homes. Less than 17% of the estimated expenditures under Title XX for Fiscal Year 1977 are expected to be used for day treatment services and various home-based services, and only a smaller proportion of these services will reach children at risk of placement.

It is unrealistic to believe that this pattern will change. Twenty-six of the states have already reached or are close to their Title XX ceiling, so a massive redirection of expenditures in these states is unlikely. Moreover, if additional funds were to be made available under Title XX, it is unlikely they would be used for this vulnerable group of children. Instead, they would be used to absorb the inflationary costs of social services, or to reduce the state commitment in those states that have heavily supplemented the federal share. These pressures, coupled with the fact that children at risk of placement and their families are a particularly vulnerable group whose voice cannot command a fair share of revenue sharing resources, make specialized child welfare funds a necessity.

THE IMPACT OF H.R. 7200

Based on our analysis of the federal role and state efforts on behalf of these children, CDF believes that the federal government must take a leadership role, if there are to be reforms in the child welfare system. H.R. 7200 marks a significant step. Title IV and Sections 501–503 of Title V include a number of provisions which would make preventive services available to families to eliminate the need for unnecessary and inappropriate placements, improve the quality of care for children who require out of home care, reunite children with their families and otherwise provide permanent homes for children for whom return home is not possible. H.R. 7200 would redirect current federal programs and eliminate the fiscal incentive which currently exists to remove children from their families and allows them to remain in the limbo of foster care. It, thus, represents a comprehensive approach to reform of the child welfare system.

CHANGES IN THE TITLE IV–B PROGRAM

The record is clear that current funds available under the child welfare services program are used in large part to maintain children in out of home care; not for services to reduce unnecessary foster care. Thus, there is broad support for the requirement in H.R. 7200 that the increased funds under the bill not be used for foster care maintenance payments but must instead be used for preventive, restorative or adoptive services. Recognition of the importance of targeting funds specifically for these services was evidenced in the Ways and Means Committee's report to the Budget Committee which discussed the need for increased accountability in the manner in which child welfare services funds were used. The American Public Welfare Association, National Governors' Conference, National Association of Counties, Child Welfare League of America, child advocacy groups, various state child welfare administrators, and others have endorsed the targeting of such funds.

We, too, strongly support the conversion of the Title IV–B program to an entitlement program, fully funded at 266 million dollars, with the earmarking of increased funds for preventive and restorative services. Without such services, children will continue to enter care unnecessarily and remain in care indefinitely. As is demonstrated in Attachment Two to our testimony, numerous studies have documented the need for and the effectiveness of such services. Furthermore, where such services have been available, they have resulted in costs savings for the localities involved, by decreasing the need for continued foster care placements.

If additional child welfare services are made available to the states, it is essential that they do not be used to supplant existing expenditures. States must also be required, as H.R. 7200 provides, to maintain their Fiscal Year 1977 level of spending for child welfare services, including adoption subsidies, but excluding foster care maintenance payments.

CHANGES IN THE AFDC FOSTER CARE PROGRAM

Adoption subsidies.—H.R. 7200 eliminates the fiscal disincentive in the AFDC Foster Care Program toward providing permanence for children. It requires states to include adoption subsidies as part of their AFDC Foster Care Program.

In so mandating, the Ways and Means Committee recognized the detrimental impact of a federal system which provides funds only to maintain children in long-term foster care but not for adoption subsidies.

Adoption subsidies make possible the adoption of certain "hard to place" children, who would not otherwise be adopted because of their age, race, ethnic background, mental, physical or emotional handicaps, or membership in a sibling group. Now such children typically remain in foster care often until the age of majority, and often at federal expense. The significant expense incurred by the adoption of children with special medical needs, often makes it particularly difficult to find appropriate adoptive families for them.

While we are delighted that H.R. 7200 incorporated recognition of the importance of adoption subsidies, we are concerned that the specific provisions are too restrictive. Hard to place children should be eligible for the subsidy until the age of majority, rather than for a limited period as is specified in H.R. 7200. Continuation of the subsidy until majority is consistent with many state subsidy laws, provided there is an annual recertification of need. We understand the Administration supports such modifications, and recognized their importance.

We also applaud the provision in the Administration's proposal that would allow children with special handicapping conditions which have made them hard to place to continue their Medicaid eligibility when adopted, regardless of the income of the adoptive parents. Currently, many children in foster care are eligible for Medicaid, but lose such eligibility when adopted. This has also limited their adoptability.

Like many witnesses who have testified before this Committee, we support the waiver of any income eligibility requirement imposed on adoptive parents who adopt handicapped children. In that connection, we also urge that any income limitation imposed on parents adopting with a subsidy be broad enough so as not to discourage adoptions by foster parents and other middle income families.

In order to help ensure that children who cannot be reunited with their families are placed in appropriate adoptive homes, we encourage this Committee to support the provision in H.R. 7200 which establishes a national and regional adoption information system within the Department of Health, Education and Welfare.

Adoption subsidies not only reflect a recognition of a child's need for permanence, but also represent a cost effective national strategy as well. Adoption subsidies in H.R. 7200 are limited to the foster family home rate, as they are in many state laws. However, administrative and supervisory costs, which are significant when a child is in foster care, are eliminated when the child is adopted. Furthermore, the cost effectiveness of such a strategy must be measured in light of the costs which would be incurred if these children had instead remained in foster care until their majority.

SMALL PUBLIC FACILITIES

The provision which allows federal reimbursement for foster care provided in a public child care facility serving 25 or fewer children is designed to stimulate the growth of badly needed small group facilities, particularly for adolescents. We support such a provision, which we believe, will encourage the development of community based group homes more appropriate to the needs of many children in the foster care system. Such a provision is essential for there to be a continuum of services to meet the different needs of individual children in the system and to ensure their placement in the least restrictive setting appropriate to their needs.

ELIGIBILITY FOR VOLUNTARY PLACEMENTS

We also support the provision in H.R. 7200 which eliminates the requirement that children are only eligible for the AFDC Foster Care Program if they have been removed from their home as a result of a judicial determination that the conditions therein were contrary to their welfare. As noted earlier, such a requirement has frequently not provided the children in care the protection which was originally intended. In order to more effectively protect these children, H.R. 7200 would require that a state could extend eligibility for AFDC Foster Care to voluntary placements, but first it must have in place certain foster care protections which will be described in detail below.

FOSTER CARE PROTECTIONS

H.R. 7200 does more than increase funds for services and provide for the use of federal funds for adoption subsidies. It provides vital protections for the children and their families who are involved with the foster care system to guard against the kinds of abuses we and others have so often documented.

The bill requires that, except in specified situations, such as child abuse, as a precondition of receipt of federal foster care funds, preventive services must be offered to a family. Only if these services fail to correct the problem necessitating placement or a family reject such services can this provision be waived. We note the Assistant Commissioner, Special Services for Children in New York City, who is responsible for the largest group of children in foster care in any jurisdiction, supported the importance of such a requirement in her testimony. Moreover, as documented in Attachment Two, this provision will both protect children and the federal dollar.

H.R. 7200 contains additional protections designed to guard against the inappropriate removal of children from their own homes. First, no child may be involuntarily removed from the home unless there has been a court finding. Second, as discussed above, no child may be placed voluntarily in care by his parents unless there has been a placement agreement signed by the parents and the placement agency. While we think these are both crucial requirements, we believe that the latter provision should be strengthened by requiring that parents who voluntarily place their child have the right to have their child returned upon request unless the agency files a dependency or neglect petition. One of the greatest ironies and tragedies of the foster care system is that children placed voluntarily by families in crisis appear to be just as likely to have family ties severed as children placed involuntarily.

Once the child is in care out of the home, Section 427 provides for additional protections. It requires that the decision about where to place a child take into account three principles: placement of the child in the least restrictive setting appropriate to his or her needs, placement in as close proximity to the family as possible, and, when appropriate, placement with relatives.

A requirement that placement be in the least restrictive setting is a direct response to evidence that both handicapped and non-handicapped children are placed inappropriately in institutional settings. This provision is consistent with a number of recent court cases that have found placement in the least restrictive setting to be Constitutionally required. (See Attachment Two). The requirement that children be placed in reasonable proximity to their home communities is a direct response to the patterns uncovered by the Children's Defense Fund and others about the placement of children so far away from their parents that visiting is impossible. This widespread pattern occurs despite the findings of Dr. David Fanshel of Columbia University that parental visiting is the key to whether or not a child is returned home. (See Attachment Two). The provision that if at all possible a child be placed with relatives is recognition of the importance of a child's natural faimly to him, and reflects a preference for keeping a child who cannot remain with his immediate family with familiar relatives, if at all possible. H.R. 7200 also requires that reunification services be offered to the family. This is simply an extension of the language of the current statute, which likewise acknowledges the importance of seeking to strengthen family ties and family coping ability so children can speedily be returned home.

In order to assure that states are aware of what is happening to the children for whom they are responsible and to ensure timely decisions are made, H.R. 7200 requires two review procedures. The first is a periodic six-month review, that may be conducted internally by those with direct responsibility for the child. While parents are to be given notice of the review and permitted to participate, the purpose is to determine the child's progress and to re-assess goals. The review is not a formal "hearing" and in fact, simply reflects high quality child welfare practices.

At 18 months, a formal hearing is required—a dispositional hearing, designed to ensure that a decision is made about what should happen to the child; that is, whether the child should be returned home, freed for adoption, continued for a specific period in foster care, or in special situations, placed in permanent foster care. The purpose of this hearing is to prevent children from simply remaining in care at public expense until the age of majority. The bill provides

that these reviews be conducted either by a court or a court appointed body, giving flexibility to local communities. It reflects a fundamental accountability principle that someone other than those responsible for providing services review decisions of service providers.

It has been said that such reviews are "costly" and "time consuming," and take away valuable service time. But cost must be weighed in relation to dollars saved by children leaving foster care who otherwise would have remained in the system. Certainly localities should experiment and assess the impact of such reviews, but in the interest of those children who are identified by the review as able to return home or be freed for adoption, and in the interests of cost effectiveness, we believe an 18-month dispositional hearing is crucial.

Finally, H.R. 7200 builds in a procedure by which parents, children and foster parents can seek redress if the bureaucracy fails to respond appropriately. It provides that due process procedures be available to them at the 18-month hearing, it provides for fair hearings if they do not receive the benefits to whilch they are entitled.

We believe the need for such protections is crucial to any effective reform of the foster care system, and urge the Committee to give their fullest support, with the modifications we have suggested, to Section 427. The section will not only protect individual children and families, but creates a strong framework of accountability. It provides performance standards by which a state can monitor itself, it provides standards for federal monitoring, and it provides a mechanism for self-enforcing, self-correcting system. Any Committee bill we believe must include these essential protections.

The protections just discussed have been criticized as "too detailed," and as imposing too many burdens on the state. We do not agree. We believe they reflect the leadership that must be taken by the federal government. The protections are consistent with what is considered to be good child welfare practice. They are also consistent with emerging views of the rights of children who are removed from their homes and become public responsibility. Moreover, the bill provides the *funds* for the services required by the protections, so they will be meaningful accountability tools. We therefore believe they are a vital component of a comprehensive foster care bill.

SUMMARY

The children who enter into the foster care system are among the most vulnerable of our children. Their parents, beset by family crises and stresses, often cannot act in their behalf, nor assure that the children receive their fair share of resources. For this reason, separate identifiable funds targeted for child welfare services, and clear explicit protections are absolutely vital. We therefore, respectfully urge the Finance Committee to respond to the needs of thse children and enact a bill that incorporates funds for preventive and restorative services, protections for the children and families who enter into the foster care system and a strong adoption subsidy program.[4]

PREPARED STATEMENT OF JOHN C. GRAY, JR., ATTORNEY-IN-CHARGE, BROOKLYN LEGAL SERVICES CORPORATION B, ON BEHALF OF THE COALITION OF INSTITUTIONALIZED AGED AND DISABLED, INC., NEW YORK CITY

As an attorney employed by Brooklyn Legal Services Corporation B (a program funded by the national Legal Services Corporation), I submit this statement on behalf of the Coalition of Institutionalized Aged and Disabled, Inc., of New York City. In representing members of the Coalition over the past few years, I have observed repeatedly the special problems which institutionalized persons have under the Supplemental Security Income ("S.S.I.") program. Because their situation is so different from that of other recipients, the problems of the institutionalized have sometimes been ignored—probably unintentionally.

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[4] Along with out testimony, we have submitted the following attachments Children Without Homes, Summary of Relevant Studies, a Louisiana editorial and an article on foster care costs.

This year proposed amendments to the S.S.I. statute contained in H.R. 7200 have begun to deal with some of the special problems of the institutionalized. The Coalition urges you to accept the improvements adopted by the House and to deal with some additional problems. Specifically, this statement will address three issues: (1) inclusions of the institutionalized in the cost-of-living adjustments now provided to other recipients of S.S.I., (2) creation of an outside income exclusion for the institutionalized parallel to the exclusion provided other recipients; and (3) provision of a three month period during which a newly institutionalized person's regular S.S.I. benefits would be continued to allow him or her to maintain a home to return to if the institutionalization is only temporary.

1. COST-OF-LIVING INCREASES

Under present law all recipients of benefits Supplemental Security Income receive cost-in-living adjustments except persons in chronic care institutions. The House bill would, for the first time, include the institutionalized in the cost-of-living adjustment program. This is a change long over due. There is no reason to deny to the institutionalized the same cost-of-living adjustments provided to other S.S.I. recipients. Although their lower benefit level, $25 a month for an individual under 42 U.S.C. §1382(e) (1) (B), reflects the lower expenses the institutionalized have, they are just as subject to the effects of inflation as other recipients. The cost of the items the institutionalized buy, such as clothing, toiletries, reading material, and telephone calls, has increased as fast as other costs. The failure of the present law to include the institutionalized unfairly reduces their effective benefits every year.

The House bill, however, is purely prospective. The failure to include the institutionalized in past cost-of-living adjustments would be carried forward in future benefit levels. For this reason we urge you to add a new provision requiring that the first adjustment for the institutionalized be based on the increase in the cost of living since 1974 (when the S.S.I. cost-of-living adjustment began), not on the increase for the past year, as is normal under the system. A one-time "catch-up" provision would not give the institutionalized retroactive benefits, but it would at least insure that in the future the institionalized would be no worse off than other recipients.

2. INCOME EXCLUSION

Under the present law, recipients of S.S.I. receive the benefits of a $20 a month income exclusion unless they are institutionalized. The institutionalized have no income exclusion at all. See *Friedman* v. *Berger*, 547 F.2d 724 (2d Cir. 1976), cert. denied, 97 S. Ct. 1681 (1977). We urge you to allow institutionalized recipients an income exclusion of $3.50 a month, an amount proportionate to their lower benefit rate. A specific proposal to do this in bill form is annexed to this statement as Appendix A.

There is no reason to deny to the institutionalized some income exclusion in calculating their S.S.I. eligibility. Although the institutionalized have a lower benefit level than other persons, they should in fairness receive an income exclusion proportionate to the size of their benefits. Under this principle, $3.50 a month of their income should be excluded instead of the $20 excluded for other persons. If no income is excluded as at present, the institutionalized person with some income receives absolutely no benefit from that income. This violates the established policy of the S.S.I. program.

3. ELIGIBILITY OF RECENTLY INSTITUTIONALIZED PERSONS

The House bill makes an important change in this area we urge you to approve. The House bill provides for a three month period during which a newly institutionalized person continues to receive full S.S.I. benefits. This change would go a long way toward solving the dilemma often faced by people going into a nursing home for a limited period. Under the present system new patients lack the money to maintain their apartments or homes and thus must give them up. Subsequently when people are ready to leave the nursing home they lack any place to go. One result of this dilemma is that people who could leave institutions don't leave as soon as they are medically able to. This situation is expensive both in human and financial terms.

The three particular problems dealt with in this statements are, in one sense, relatively minor issues in a large program. But we believe that some recognition of the special problems of the institutionalized under the S.S.I. program is long overdue. Acceptance of the relatively small changes suggested above would have a major impact on the lives of the neediest of the needy. We urge their adoption.

AN Act To amend title 42, United States Code, to allow institutionalized recipients of supplemental security income a proportionate part of income exclusion allowed other recipients

Be is enacted by the Senate and House of Representatives of the United States in Congress assembled.

Section 1. Section 1382 a (b) (2) of chapter 7 of title 42, United States Code, is amended:

(a) to insert after number "(2)" the letter "(A)" and

(b) to insert after the words "the need of the eligible individual;" the words "(B) for an eligible individual or his eligible spouse (if any) in a hospital, extended care facility, nursing home, or intermediate care facility receiving payments (with respect to such individual or spouse) under a State plan approved under Subchapter XIX of this chapter, the first $42 per year (or proportionately smaller amount for shorter peirods) of income (whether earned or unearned) other than income which is paid on the basis of need of the eligible individual (this exclusion shall apply to computations of income of all purposes including, but not limited to, the computation of income available for application toward the cost of care in the facility)."

Section 2. This Act shall be effective immediately.

SUPPLEMENTAL STATEMENT OF JOHN C. GRAY, JR.

This supplemental statement is submitted in reply to that part of the statement of the Secretary of Health, Education, and Welfare opposing cost-of-living increases for the institutionalized. I have been informed that the Secretary opposed such cost-of-living increases on the ground that the cost-of-living index includes many items which the institutionalized do not have to purchase, such as food and housing, and that they therefore do not deserve to get the full percentage increase.

The Secretary's position is factually incorrect. While it is true that the institutionalized do not purchase as wide a range of goods and services, the goods and services they do purchase have gone up on a percentage basis as much as the index generally. I have been informed that since August, 1974 the index as a whole has risen 15.6%. The components of the index affecting the institutionalized have, except in one case, gone up at an even higher rate, often substantially higher: Personal care—21.7 percent; transportation—24.5 percent; reading and recreation—15.7 percent; and apparel and upkeep—9.7 percent.

Thus, if anything, the institutionalized should receive a higher percentage increase than other S.S.I. recipients.

Another possibility is that the Secretary is suggesting that because the institutionalized have generally lower costs, they should not get any increase. Such reasoning is fallacious. The institutionalized do have lower costs and a lower benefit level. But, the same percentage cost-of-living increase applied to the institutionalized and to others will yield a much smaller dollar increase for the institutionalized than for other S.S.I. recipients. This is surely a fair result.

Unfortunately, it is also possible that the Secretary opposes including the institutionalized in the cost-of-living adjustments purely to save the relatively small amount of money involved. Such a possible motive reflects only the grossly unjust principle of denying benefits to those least able to defend themselves.

For all of these reasons, we again urge the Committee to include the institutionalized in the S.S.I. cost-of-living adjustment.

PREPARED STATEMENT OF JOHN T. DEMPSEY, DIRECTOR, MICHIGAN DEPARTMENT OF SOCIAL SERVICES

The Michigan Department of Social Services heartily supports the actions and shares the desires of Congress and the Administration to add more clarity, simplicity, equity, and cohesiveness to the administration of welfare programs. This can best be done as the issues in bills like H.R. 7200, and other welfare reform measures, receive full airing and more than the usual attention to the problems in the current programs as seen by recipients, administrators, and taxpayers.

A major problem in the current AFDC program is addressed by Section 505 of H.R. 7200. It broadens the authority to make dual party payments to help meet housing and utility needs upon the specific written request of AFDC recipients. The greatest benefit of this provision will be improved living situations for AFDC recipients.

The Department of Social Services is faced with an increasing number of complaints from landlords where AFDC recipients have defaulted in their rent payments. In Detroit, the Detroit Housing Department reported that 70% of the AFDC recipients (2,159 families) who are tenants of Detroit public housing are more than one month behind in their rent. The arrearages are over $644,000. There are 1,381 former tenants who owe rent totalling $1,200,000.

When AFDC recipients are unable to request and receive assistance in managing their income to meet major obligations such as rent, house payments, or utility payments, some of them do not meet these obligations. The results are evictions, defaulted mortgages, cutoff of utilities, and housing that is increasingly in poor repair. Opportunities for adequate housing are lost due to landlord fear of no payment.

In considering this problem in Michigan, we believe the current situation has a serious impact on the adequacy and availability of housing for AFDC recipients in several ways: (1) landlords may become even less willing to rent to recipients; (2) rent defaults mean the landlord has less money to use for building maintenance and repairs, thus creating health and safety hazards; and (3) an increasing number of landlords are forced to abandon buildings which they can no longer afford to maintain due to rent defaults, thus creating a shortage of available housing for recipients.

The group called, Housing Owners of Michigan Exchange (HOME) of Detroit, has cited statistics that there were 3,673 wrecking permits for residential buildings in Detroit in 1976, and only 28 building permits. This is taken as a vital factor in the erosion of the tax base and the resulting severe financial situation of the city. There is a critical housing shortage in the Detroit area, and community resources cannot accommodate massive relocations due to evictions or housing being removed from the market. Homelessness for many is a very grave possibility.

If AFDC recipients are given the option to request and receive part of their grants as dual party payments for shelter or utilities, they would have improved and wider means to maintain shelter arrangements of their choice. With this improved financial management capacity could come improved bargaining power for the client to obtain needed housing improvements or repairs. The housing market could also be substantially opened and improved for AFDC recipients with their new power to voluntarily guarantee a dual party payment from their AFDC grants. To avoid exploitation, the recipient would also be free to withdraw the use of dual party payment if the vendor failed to meet the recipient's requirements.

Use of dual party payments in this client-oriented manner could operate as a highly constructive device to enable clients to obtain and retain adequate housing. It should improve the housing of many recipients who choose to take advantage of the arrangements.

In addition to improved housing situations for AFDC recipients, the dual party payment provision in H.R. 7200 will result in three other benefits:

AFDC Recipients Will Have Equal Opportunity For Money Management Assistance And Freedom To Make Decisions.—Voluntary withholding is a generally acceptable money management tool used by many people to assist them to meet their financial obligations. The most common examples are—payroll

deductions for payments and savings, income tax withholding above mandated amounts, bank deposit deductions for payments and savings. AFDC recipients are among the few people in our society today who are denied the opportunity to control their own money management by the use of such devices in relation to their income from AFDC. They are not given the right or alternative to voluntarily request or to say "yes" to the question of withholding part of their income as a means of money management. However, when the situation is critical enough to endanger the children, then the device may be used, not at the client's request but at the agency's demand. The denial of the opportunity for the AFDC recipient to direct any portion of his payment to be made to a third party or in a dual party arrangement is an unfair limitation on client choice and results in a restriction being placed on AFDC recipients which is not placed on persons whose income is from employment.

When a choice to use vendor payments or dual party payments is permitted and is completely in the hands of the AFDC recipients, then equal opportunity will be available to the AFDC recipient for money management. Proper safeguards would assure that the procedure is used only when the recipient requests it and gives his written authorization for its use. With such a voluntary procedure available, the recipient would be able to exercise added freedom in the management of his affairs and in decisions about the use of his assistance check to best serve his needs. He would have an additional choice available to him regarding the method of spending his money.

Freedom to make decisions depends a good deal upon the areas and numbers of choices available to an individual. Consistent with the Social Security Act, it should be the recipient, not the Federal or state government, ho is given the right to decide about the use of his assistance check. If a vendor payment or dual party payment system is available for use (as it is for some selected situations now), the recipient should be given the freedom to use it as a means to direct the expenditure of part of his money payment for purposes of his choice.

Production of public funds.—When AFDC recipients lack opportunities to use vendor or dual party payments to assist them in money management and, subsequently, default in increasing numbers on large obligations such as rent and utilities, public funds must often be used to make duplicate payments to avoid evictions or shut-offs. In the Detroit area alone, it is estimated that $4 million a year is spent on duplicate payments for residential heating fuel. This is a waste of public funds which could be better used to improve grant standards for all recipients, or to extend public program to additional needy persons, or to reduce burdens on taxpayers.

Due to the very limited Emergency Assistance program at the Federal level, the duplicate payments must come from state and local funds only. This causes added burdens at those levels due to a failure at the Federal level to permit the use of practical needed payment mechanism in AFDC as a means to avoid the need for such duplicate payments.

Public support for an AFDC program—The idea of no AFDC vendor or dual party payments, even at the recipient's request, is truly indefensible and simply makes no sense to most persons. The AFDC program depends upon public support for its continuation and improvement to meet the real and serious needs of those who must depend upon it for their substance. It is important that we obtain and retain that public support. However, we cannot do so if we cannot logically explain and defend the basic policies of the program.

The "unrestricted money payment" policy as currently interpreted and used by the Federal government is probably the one most irrational and indefensible policy in the AFDC program. It is harmful to recipients, and to the general image and public support of public welfare programs.

I have been discussing provisions of Section 505 of H.R. 7200. This same section will prevent the denial of Federal financial participation in payments made by states in similar situations in the past, without meeting all of the technical requirements regarding the procedures for payment, as long as the aid was for AFDC recipients, was in the correct amount, and did not result in assistance to recipients not authorized under Title IV-A of the Social Security Act. Your active support for these major provisions of H.R. 7200 in Section 505 is sincerely solicited.

Other major problems are also addressed by H.R. 7200. I will speak briefly about four of them.

IMPROVEMENTS IN CHILD WELFARE SERVICES

Improvements in child welfare services are assured by Section 401 which will provide more Federal funds for these services. I urge your acceptance of Section 401. We all know that Title IV-B of the Social Security Act has been a badly neglected part of the Act since its initiation. It has contained an ever increasing authorization for child welfare services in a rather misleading fashion, while the appropriations and allocations have been severely restricted for the past ten years to an almost static, unrealistic amount—currently less than one-fifth of the authorization.

Michigan children need your help so that child welfare services can be expanded and improved. We urge Congress to adopt Section 401 of H.R. 7200 to establish an entitlement program under Title IV-B for child welfare services to the full funding level of $266 million beginning in fiscal year 1978. The provisions of Section 401 will also benefit children's services because the additional Federal funds will require no state match, states will be required to maintain current efforts in child welfare services, and none of the new funds under Title IV-B will be used for foster care maintenance but will be available for increasing the social services for children.

If these changes are adopted, Michigan's entitlement under a fully funded Title IV-B program will help us to give more adequate attention to the 18,400 children per year in foster care supported by public funds. By increasing professional services staff, reducing caseloads, facilitating the development of other community services, training staff and other providers, and improving the evaluation and management systems, we would expect to concentrate on keeping children out of foster care and returning them to their own homes or other permanent homes when they must be removed from their own homes.

At this point, I would like to share with you our thoughts in Michigan regarding the need for realism in developing and administering programs for children. Our ideals are high, and we set high expectations for our services, but we attempt to be realistic. We greatly appreciate the current Title IV-B characteristics of *flexibility* as it permits us to adjust child welfare services expectations, as necessary, to meet changing circumstances. We believe we should not oversell or promise more than we can deliver.

Too many children are going into foster care and staying there too long due to a lack of early and supportive services to prevent the need for foster care. There is agreement among child welfare professionals in public and private agencies that an increase in preventive services to children in their own homes will reduce the number of children who must now go into foster care and remain there for a long period of time. We realize, however, that this objective will not be accomplished overnight. It requires a general improvement in child welfare services within a framework of specific objectives to support family life, rather than to further promote a substitute care program which is always second best (or worse) for children.

In these times of changing family structures, economic pressures, and changing social institutions, we cannot promise that improved preventive services will do away with the need for foster care for children. The opposite may be true in the short run, i.e., improved preventive services, including outreach, may increase the need for temporary foster care. We cannot expect foster care costs to be reduced directly and quickly by improved child welfare services. Our expectations must be more realistic than that as we plan for the use of the increased child welfare services funds.

There are many factors which negatively affect the welfare of children over which the services delivery system has no control. We must assure greater attention and improve preventive services to better meet children's needs and to avoid unnecessary foster care. However, we cannot promise that money and increased services will meet all of these needs, or that money will be saved as these needs are met.

There are examples of unreal expectations in H.R. 7200 in Section 402. A state would be required to provide adequate preventive services, including homemaker, day care, 24 hour crisis intervention, emergency caretaker, emergency temporary shelter, emergency counseling, for each child prior to placement in foster care. Family reunification services for each child in care would also be required, including transportation, family and individual therapy, psychiatric counseling, homemaker and housekeeping services, day care, consumer education, respite care, and written individual case plans, and a strict structure of

reviews and dispositional hearings. These are measures which may strengthen child welfare services in the long run, but they are also very expensive measures. The additional funds to be made available under Title IV-B (even at the full entitlement) will not be enough to assure such comprehensive, preventive, and family reunification services. Will there be any open-ended funds under Title IV-A for these purposes when other funds are found to be insufficient?

We appreciate the Administration's candid remarks on H.R. 7200, and its objections to the "rigid and detailed program requirements" in Section 402. We agree that they would be costly to administer, difficult to enforce, and unnecessarily restrictive to State discretion which is needed to properly serve children.

Another provision of H.R. 7200, Section 501, would amend Title IV–A to add foster care at the request of the parent if the state has all the required pieces in place as specified by Section 402. This means that a state would be required to accept all of the intricate procedures, activities, services, and court involvement as specified in Section 402, in all foster care related programs operated by the state or local governments to take advantage of the financial incentive of voluntary foster care maintenance under Title IV–A. The state would be required to accept such provisions by October 1, 1979, to continue to receive assistance under Title IV–A. This is a heavy imposition with no real provision for funding the activities and services required.

We know that permitting voluntary placement under Title IV–A is widely supported by other states and organizations. We are cautious, however, about manadates in this area, and want to be sure that such expansion of Title IV–A does not result in more children being placed inappropriately in foster care or remaining there longer than necessary. One of our main concerns is that the proposed protections are very costly, and, therefore, may not be provided adequately.

I urge your recognition of the fact that expanded Title IV–B funds will best aid states to improve child welfare services if there are no limitations or unreal expectations imposed as proposed in Section 402. The additional funds for Michigan under Section 401 will be $8.6 million. Rather than prescribing by Federal law the specifics of state child welfare practices, procedures, and standards for the use of this money, Congress and the Administration should strengthen state child welfare services by this additional funding in a flexible manner for staff and community based services. The Department of Health, Education, and Welfare should also assist through professional leadership, technical assistance, and ongoing guidance from staff in regional offices who are proficient in the areas of child welfare services program planning, development, and evaluation.

In reviewing the Administration's testimony on H.R. 7200, I am heartened to see the commitment to improving conditions for children nationwide by improving child welfare benefits and aiming them at maintaining and improving family life for all children.

However, the phasing in of new dollars at this time of crisis in child welfare, is not realistic. We need the full authorization and have needed it for years as Congress repatedly appropriated only a fraction of the authorization. We can use the full authorization profitably for children now. There is no need to phase in the new dollars for a few limited functions, and no rationale to do so if we are convinced that children's needs are serious now, they exist now, we know what they are now, and they can be met now. We reject the Administration's excuse that implies that States have not borne their share of child welfare expenses. We've done that and more.

The testimony that "large and rapid infusions of new money into a deficient and unresponsive system are almost invariably wasted" is a sound statement in the abstract, but does not apply to State child welfare systems such as the system in Michigan. It is responsive and would be able to immediately use infusions of new, and badly overdue, Federal monies to overcome deficiencies in children's services. These deficiencies have grown largely as a measure of neglect by the national government which has put so little resources into children's services. We agree with the Administration that there are "strong competing claims on a severely constrained Federal budget." That, rather than the alleged characteristics of State services agencies, is the reason for the proposed phase in, and it is not a good enough reason to continue to neglect children's needs.

The Administration's proposal would also require a State match of 25% for the additional Title IV-B funds. State administrators have made the case related to H.R. 7200, in prior comments, that the requirement for a State share would mean unequal availability of the funds to help children throughout the country. It also would mean that States would not likely be able to claim the new funds. This is particularly true if State foster care maintenance funds could not be used as State matching funds. It Congress and the Administration truly see the crisis in child welfare, and view this as a high priority, the new Federal funding should be 100% as proposed in H.R. 7200.

A related matter, is the Administration's proposal to put a ceiling on foster care maintenance expenditures at what they claim to be "generous levels". Again, we must remind Congress to be realistic and to plan to leave the foster care maintenance 50% Federal matching funds open-ended beyond fiscal year 1980. After all, State and local governments must come up with the other 50%. We are not intentionally increasing the cost of foster care or the number of children in foster care. With your help in the way of full Title IV-B funding, we will be able to intervene in these rising costs but it will take time. The earliest we can expect to reduce overall foster care cost, without harming children currently in care of badly in need of care, should be viewed as a five year plan, with a ceiling in 1983.

Michigan has several efforts underway to specifically address the needs of children for services to help them to return to their own permanent homes when they have had to be removed. We would appreciate the continued flexibility and full funding under the current language in Title IV-B to continue these efforts. One of these is a cooperative effort with the juvenile court in an urban county to assure a review of all foster care cases by the court and services agency every six months. This requires additional time and investment by the court and agency staff, but is expected to result in a reduction of length of time in foster care.

Another project, in six counties of the State, focuses on working with the child's own family toward the goal of reuniting the family as soon as possible. The added staff commitments and investments in this project have shown positive results even in the early stages. While the percentage of children returning to their homes within six months State-wide is only 6%, there has been a significant jump in project counties with some counties reporting as high as 24%.

Provided with additional full funding under Section 401 of H.R. 7200, without the unrealistic expectations in Section 402, Michigan will be able to continue to expand and improve child welfare services.

CEILING ON TITLE XX

Another major problem in social services is the ceiling on the Federal funds available under Title XX which has been the same now for three years, with the exception of the additional funds added this year by Public Law 94-401. These additional funds expire September 30, unless Congress acts. Section 301 of H.R. 7200 will continue the additional funds contained in P.L. 94-401, which raises the national ceiling by $200 million. Michigan will receive $8.6 million of that amount. These social services funds are badly needed to continue existing programs for the aged and disabled, as well as families and children. Pressures of inflation and increased services populations for existing programs are barely met, even with this increase. Without the increase, needed services programs will have to be cut back.

ADOPTION SUBSIDY UNDER TITLE IV-A

Another major positive provision of H.R. 7200 is the adoption subsidy under Title IV-A as contained in Section 503. Michigan currently has an adoption subsidy program at 100% States costs which helps 700 children a year at a cost of $900,000. The adoption assistance in Michigan is more liberal than that proposed in H.R. 7200 as it is not tied to AFDC foster care, does not require adoptive parents to pass a means test, and may continue beyond a one year cutoff point. However, we welcome the beginning Federal efforts to assist in the adoption subsidy area. This is a constructive approach to adoption and will help Michigan to move forward in placing in permanent homes more of the 1,800 children now in foster care who are freed for adoption.

The Administration's proposal to extend the subsidized payments longer than one year is a welcome addition and will improve opportunities for children to be adopted.

CHILDREN IN PUBLICLY OPERATED INSTITUTIONS

A provision in H.R. 7200 addresses a problem for children in publicly operated institutions. Section 502 provides for Federal financial participation in foster care under Title IV-A in publicly operated child caring institutions which serve no more than 25 children. This will result in a long overdue elimination of the discrimination against children in publicly operated halfway houses and group homes as the placement of choice for them.

The Administration's proposal also supports this provision as it will make possible more group home and residential treatment center placements.

OTHER PROBLEMS

This completes my statement on othe provisions already in H.R. 7200. May I please take the liberty now to speak to some needed changes in welfare programs which are not in H.R. 7200 but could be. The Administration's testimony on H.R. 7200 also speaks to some of these problem areas.

There has been considerable discussion and court activity in recent years regarding these aspects of the AFDC program: work requirements outside the Work Incentives program (WIN), work expenses, and earned income disregards. I realize these issues are being addressed in "welfare reform" measures under discussion, but the problems need to be eased now in these areas, without waiting for total welfare reform.

There are over 100,000 employable AFDC recipients in Michigan not being currently served by WIN. For those employable recipients who find employment, the deduction of actual work expenses is an administrative burden, and this deduction along with the $30 plus one-third open-ended disregard of earned income results in some persons remaining on AFDC while living at middle income levels, considering the total income in earnings, AFDC, and other automatic benefits that accompany AFDC such as Medicaid, Food Stamps, and day care. The processes required by the current work expense and income disregard policies are timeconsuming, error prone, and complex.

Congress could ease this situation, and permit needed "reforms" in AFDC immediately by adding to H.R. 7200 the following provisions. A great deal can be accomplished within the present Title IV-A programs to maintain and increase responsiveness to human need, and at the same time increase administrative efficiency:

1. "Employable" individuals applying for or receiving AFDC should be required to work if work is available, either in the private sector or in public service jobs at the minimum wage. The Social Security Act should be amended to clearly permit states to establish work and training requirements and programs outside of WIN with the assistance of Title IV-A funding. This requirement in law would aid states in implementing work and training programs outside of WIN, which is geared and funded under a very limited ceiling to serve only a small percentage of employable AFDC recipients. Several states, including Michigan, are attempting to implement state work and training requirements outside of WIN now, as seen possibly by an interpretation of the Supreme Court decision of 1973 in Dublino versus New York. However, DHEW has failed in all these years to issue any regulations or guidelines to help the states in this area. Most recently, DHEW officials have blamed this failure on the lack of legislative authority for such state requirements or Federal guidelines and have said no regulations or guidelines will be issued. This has left many states guessing as to what the acceptable parameters are for a work or training program. This results in AFDC recipients being in a "pool", waiting for a WIN assignment which never comes. States are told not to proceed with work and training requirements outside WIN as they would be illegal. These guesses, undue risks, and costly delays could be eliminated by Congressional action now to enable states to address this problem.

2. In order to assure that persons benefit from employment and also to protect the integrity and accountability of the AFDC program and eliminate time consuming and complex manual computations, the provision for work expense deductions and earned income disregards should be standardized and

should contain a ceiling. A reasonable provision would be to allow the recipient to retain 50% of money earned up to a maximum of $100 per month. All earned (and unearned) income beyond that amount should be deducted from the AFDC payment. This policy should be applied equally to applicants and recipients, removing the current discrimination in the law against applicants.

The Administration's proposal contains a provision regarding work expenses as a percentage of earned income. However, it ignores a major need for a ceiling on work expenses and disregards. It also does not mention handling the current inequity between applicants and recipients.

3. In addition, there are other areas of needed changes in Title IV-A which affect fewer people but are crucial to meeting human need in a more timely and equitable manner and improving administrative efficiency. I invite you to consider:

a. Emergency Assistance Under Title IV-A.—The Emergency Assistance program for families, authorized under Title IV-A, provides that emergency assistance may be given for only one 30-day period in a year. If a family is faced with an emergency which falls outside the 30-day period, the state or local governments must bear the full responsibility for meeting such emergency needs.

I recommend that the law be changed to provide for federal participation in meeting such emergent needs whenever they arise.

b. Interpretation and Computation of "Currently Available Income" in AFDC.—We are having difficulty obtaining a clear and useable definition of the "currently available income" which must be used in computing the amount of the AFDC grant. This problem is hindering our efforts to develop and implement a fair and uniform client reporting system.

It is impossible to budget variable income when it is currently available. In other words, the income received by an AFDC recipient in July cannot be considered in determining the amount of July's assistance grant. Consideration of income expected to be available (projected income) lends itself to inaccuracies and offers no administrative advantages.

Our intent is to consider only income that recipients have actually had available to use. We have sought to utilize an interpretation of the DHEW General Counsel which recognizes that the state agency administrative system may consider income in the second month after the income has been received. Although we have sought for over a year to obtain greater specificity from DHEW regarding "currently available", we have been unable to have the issue clarified.

We recommend changes in the Social Security Act and Federal regulations, which will permit a state agency to consider income a recipient has actually had available for use. Further, we recommend that states be clearly permitted the option to develop either retrospective or prospective systems of income budgeting. Such an option must recognize the variance among state agency administrative systems. State agencies should determine the accounting period used in determining the amount of the assistance payment. A state agency is best suited to determine its administrative capacity and recipient characteristcs and fit the two together. Further, a state agency can respond to improved technology more rapidly without the efforts required to secure a change at the national level.

c. Deprivation in AFDC Based On Continued Voluntary Absence.—The Social Security Act should be amended to provide specific criteria for AFDC eligibility based on continued absence. Present guidelines contained in Federal regulation are vague and can only be interpreted through subjective means.

Many problems are encountered by state agencies attempting to quantify the vague language of the regulation as it applies to voluntary absenses, i.e., voluntary separations involving no legal action, or situations in which a father has left the state to look for employment. The regulation is completely devoid of any objective standard to determine when a child may be considered deprived and eligible for AFDC in such situations.

Michigan Quality Control statistics for July-December, 1976, indicate that errors in continued absence account for 23.8% of misspent funds. We have found that recipient fraud is a factor in over 80% of the errors involving continued absence.

We strongly urge that language be included in the Social Security Act and Federal regulations which will provide an objective standard for continued

absence. A durational requirement of from 30 days to 60 days would be extremely helpful. In addition, state agencies should be allowed to develop objective criteria to determine the continuing nature of the absence. Eligibility based on continued absence solely for military service should be eliminated.

A final area I must mention, where immediate Congressional action would be very helpful in "reform" measures now, is in eligibility requirements for Title XIX, Medicaid.

Currently, the MA financial eligibility criteria related to income disregards and treatment of responsible relatives are dependent on the related financial assistance program—AFDC for families and children, SSI for adults. As a result there are, in effect, two Medicaid programs. Establishing consistent criteria in Medicaid would simplify administration (e.g., easier for employees to know program) and improve the publics' ability to understand the program requirements.

The single financial criteria for Medicaid must allow for continued automatic eligibility for AFDC and SSI recipients and retain some compatability with the financial aid programs. Therefore, we support a policy which calls for the use of the more liberal of the income and resource disregards used in AFDC and SSI, provided states are protected from the increased cost of such a program expansion. This principle of using the more liberal disregard already applies to the resources of the medically needy, and needs to be extended to the categorically needy.

Responsible relatives in the same situation should be treated the same whether involving families and children or adults. The simplest standard is best—the resources of responsible relatives living with a client should be deemed available without actual proof of contribution; when living apart responsibility and enforcement should be dependent on state law. This is the situation for most welfare recipients now.

The Federal definition of responsible relatives should also be as simple as possible—responsible relatives should be limited to spouse-for-spouse and parent-for child under age 21. To extend parental responsibility beyond age 21 for a blind or disabled child, in our opinion, penalizes the parents because of the child's condition.

We also are currently faced with administering several "mini-Medicaid" programs due to provisions in laws to provide special treatment to certain individuals, such as Section 249E of P.L. 92-603 and Section 503 of P.L. 94-566. We urge you to help us to improve the Medicaid program by simplification through consistency. The creation of such special classes of recipients due to peculiar circumstances or to grandfathering is *not* conducive to efficient administration. Such practice should be eliminated or, at least, not expanded.

This concludes my comments now. I appreciate your attention, and I look forward to an opportunity for further discussion on these issues. I support the early passage of H.R. 7200 with revisions as I have suggested, and appreciate the positive benefits it will provide for the citizens of Michigan.

STATEMENT OF THE YOUTH LAW CENTER, SAN FRANCISCO, CALIF.

The Youth Law Center wishes to thank the members of the Subcommittee on Public Assistance and the Committee on Finance for this opportunity to present comments on the Child Welfare Provisions of H.R. 7200, the Public Assistance Amendments of 1977, and on the proposals concerning foster care protections, adoption subsidies and child welfare services of President Carter and the Secretary of Health, Education and Welfare, Joseph A. Califano, Jr.

The Youth Law Center, which is located in San Francisco, California, is funded by the Legal Services Corporation to protect and promote the legal rights of indigent children, primarily through litigation and advocacy. The interest of the Youth Law Center in H.R. 7200 and other proposals for comprehensive reform of the federal role in foster care, adoptions and child welfare services stems from our long-standing involvement in the representation of clients—children, particularly—whose interests have been adversely affected by the foster care system as it currently operates under federal and state law. Two recent cases which are being litigated by attorneys at the Youth Law Center illustrate most dramatically the severe dislocations, psychological dam-

age, and waste of financial resources which often result from the problems which beset the system at the present time.

Dennis Smith, a seventeen year old boy who is the plaintiff in *Smith v. Alameda County Social Services Agency, et al.* (Alameda County Superior Court No. 488366-5) was relinquished at birth for adoption, but has spent his entire childhood in foster care—in a total of 16 group homes and foster homes. Tragically, this boy was clearly adoptable when he entered foster care and the fact that he was never adopted is directly attributable to the failure of the local social services agencies to act quickly enough to place him for adoption. By the time he left his first foster home at age 7 he was already a much older child than most families are willing to adopt and his chances for adoption grew progressively slimmer as he moved from one placement to the next. Some of the requirements contained in H.R. 7200—that written plans be developed for each child and that each case be subjected to judicial scrutiny at an early date—could have prevented the multiple placements and consequent severe psychological damage and financial costs which occurred in Dennis' case and would probably have afforded him the benefits of a permanent adoption.

Another case in which the Youth Law Center is currently engaged in representation of clients afflicted by the many ills of the foster care system is *In the Matter of Dimitri Wallace* (Sonoma County Superior Court No. 88564, previously litigated before the California Court of Appeals under the name of *Katzoff v. Superior Court*, 54 C.A. 3rd 1079, 127 Cal. Rptr. 178 (1976)), in which the failure of a county department of social services to develop a case plan or conduct frequent case reviews resulted in a severely abused child being left in one foster home for nearly two years, then abruptly removed to another foster home, and subsequently being returned to the first home. The child's future has become the subject of extensive controversy and, now that the child is almost four years old, his fate is being determined in a trial of more than five weeks duration to terminate his natural parents' rights. Many of the excessive financial and emotional costs involved in this case could have been avoided through early use of extensive services and careful case planning and review.

The Youth Law Center supports wholeheartedly the articulated goals of H.R. 7200 and the Administration's proposal that the welfare of children is of paramount importance and should be achieved through the use of services to maintain the natural family, through early determinations as to whether children in foster care should be adopted or, preferably, returned home, through procedural safeguards and through the use of adoption subsidies to promote the adoption of children. We firmly believe, however, that the foster care and adoptions systems are in such a state of precarious balance that enactment of one or more of the elements of these proposals for legislative reform without the others could do more harm than good. For example, to facilitate the adoption of children in foster care without at the same time enacting safeguards to insure that services will be provided to natural families could contribute to the permanent disintegration of families whose children enter foster care; similarly, to mandate the provision of services in every case without providing mechanisms for an early judicial determination of whether the child can safely be returned home would be to consign some children to permanent limbo, at great emotional cost to them and financial cost to the state; or, for example, to provide significant increases in funds for child welfare services without attendant safeguards and due process protections might well result in increased expenditure of federal funds without accompanying protection of the interests of individual children. Therefore, we recommend that any legislation enacted retain its comprehensive form lest it endanger the interests of children by unduly favoring either natural parents, prospective adoptive families or promoting the unfettered discretion of social services agencies.

Those basic protections which we deem to be indispensable ingredients of legislation to reform the foster care and adoptions system include:

1. The availability of preventive services to natural families to obviate the necessity for removal of children from their homes either voluntarily or involuntarily;

2. The availability of reunification or restorative services to all children in foster care and their natural families to promote their earliest possible return home;

3. A requirement that children who do enter foster care be placed with relatives or in foster family homes rather than group homes or institutions, unless that is impossible;

4. A requirement that children in foster care be placed in close proximity to the homes of their natural family;

5. A requirement that no child be placed in foster care either voluntarily or involuntarily for more than a very brief period of time without judicial review of the necessity for placement;

6. A requirement that detailed case plans be developed for *every* child in foster care;

7. Provisions for frequent and independent judicial or administrative review of individual case plans to determine the progress which is being made toward returning the child home or placing the child for adoption;

8. Requirement of an early determination within a specified period concerning whether the child is to be returned home or freed for adoption;

9. Provisions for a hearing procedure available for all children, natural parents and foster parents to seek review of grievances concerning actions taken with respect to placement, visitation or removal from foster care;

10. Provision for court appointed counsel to represent any indigent child or parent in judicial and administrative proceedings which take place at each stage of the foster care process;

11. Provisions for adoption subsidies for foster children who cannot return home and who would otherwise not be adopted but remain in foster care throughout their minority.

PREVENTIVE AND RESTORATIVE SERVICES

Many children who enter foster care do so because of problems in their family situations—such as abuse, neglect, or illness of a parent—which could be successfully mitigated through the provision of day care, homemaker crisis intervention, or counseling services to their families. If such services were provided, thousands of children might never need foster care and thousands more could return home shortly after placement.[1] Unfortunately, such services are not available on any widespread basis[2] despite the fact that although expensive in the short run, there is strong evidence that they would be cost effective over the long run.[3] We endorse the Administration's proposal that 40%, or preferably an even greater percentage, of all new child welfare services money above a specified base be spent on such services. We further suggest, however, that provisions be included in the requirement for initial judicial review of voluntary and involuntary placements that if services have not been made available to the family to prevent removal of the child, the court would be required to make a finding that such services would be unlikely to mitigate the problems necessitating placement prior to approving foster care as the appropriate disposition for the child. Although we believe that at least 40% of

[1] A foster care study was conducted in New York State of 549 families in 3 counties to determine "the feasibility of preserving the family by providing services to eliminate the need for foster care and to prevent its recurrence." The results of this study effectively demonstrate that the provision of services to the experimental group resulted in less time spent in foster care by the children of these families (p. 99), a smaller percentage of those children entering foster care at all (p. 122), and a higher percentage returning home (p. 83) than was true for the control group of families. The study further found that keeping children at home or returning them there was not accomplished at the expense of their well-being (p. 90). M. Jones, R. Neuman, and A. Shyne, *A Second Chance for Families* (1976).

[2] In a 1972 report on the status of children in foster care in California, the State Social Welfare Board stated:

> "[i]t is essential, therefore, that a full range of services be immediately available to all persons involved in a family crisis to assist them with their problems and to preclude the need for removal of the child from the home . . . . it is less costly in dollars and certainly in human costs, if their provision helps to strengthen a family unit and to prevent the need for placement of a child in foster care." *Children Waiting*, p. 21–22 (1972).

Despite the recommendations of this report, preventive and restorative services have not yet been made available to any great extent in California, due partly to inadequate funding and partly to the absence of regulations or statutes requiring their provision.

[3] The New York Study cited at note 1 above, estimated that substantial savings in foster care maintenance payments would result from the provision of preventive services. The projection was based upon an average of 3.9 years spent in foster care and included an offset for the cost of the services. *A Second Chance for Families, supra* note 1, pp. 99–100.

child welfare services funds should be spent on preventive and restorative services, we also believe that some further incentives may be essential to insure the use of such services in all cases in which they might be effective and would not endanger the well-being of the child.

JUDICIAL REVIEW OF INITIAL PLACEMENTS

Since many placements of children in foster care are not only unnecessary but inadvisable, from the point of view of the welfare of the child and the desirability of maintaining families intact, we believe that judicial review of all placements, even voluntary ones, should occur at least within six months of the initial placement. Many voluntary placements are the result of the persuasion of social workers who are unwilling, or unable to provide the services which would assist the family in remaining together.[4] It is therefore crucial that even these voluntary placements be reviewed by a court to determine whether they are necessary for the protection of the child from actual harm. We support a revision of the "welfare of the child" standard contained in Sec. 408 of Title IV A of the Social Security Act to a standard which would justify removal only if the court found that the child would actually be harmed or endangered by remaining with his parents.[5]

CASE PLANNING AND REVIEW

A critical ingredient of any foster care reform aimed at minimizing the length of time children spend in foster care and increasing the rationality of the operation of the system as it affects children is the institution of a mandatory requirement of individual written case plans for every child in foster care with mechanisms for frequent and *independent* reviews of progress according to the goals articulated in the plan.[6] The absence of such plans has contributed to children remaining in foster care for lengthy periods of time and there is strong evidence which demonstrates that the longer a child remains in care, the less likely he is to return home or be adopted[7] and the more likely he is to suffer from multiple placements.[8] These results are not only contrary to the basic intent of foster care as temporary care but are also responsible for severe psychological harm to the children involved[9] and for extensive social and financial costs to the state. Case plans should include, as provided by H.R. 7200, a description of the services to be made available to the natural family, the projected date for return of the child, or if return is impossible or clearly inappropriate, the justifications for such a recommendation and the steps which will be taken to free the child for adoption and to find an adoptive placement.

In order to insure that progress is in fact made with respect to the goals and recommendations specified in the case plans, we feel that a review every six months by an impartial administrative or judicial body should be a mandatory element of a state's foster care system. The absence of such a review procedure could render meaningless even the most laudable case plan, developed

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[4] See M. Wald, "State Intervention on Behalf of Neglected Children: Standards for Removal of Children from their Homes, Monitoring the Status of Children in Foster Care, and Termination of Parental Rights," 28 *Stanford Law Review* 623 (1976), note 4.

[5] See Wald, *supra*, note 4, at p. 649 for a discussion of the extent to which even well-trained social workers disagree concerning the necessity for placement. This militates in favor of some judicial control, according to limited standards, of agency discretion in determining whether or not a child should be placed.

[6] The California State Social Welfare Board recognized the importance of written case plans for children in foster care. *Children Waiting* (1972) p. 27–28. A requirement for such plans still has not been implemented in California, however.

[7] For example, a 5-year longitudinal study of 624 children in foster care in New York indicates that the longer children remain in care the less likely they are to go home. At the end of 3½ years, 46% of the children were still in care. D. Fanshel, "The Exit of Children from Foster Care: An Interim Research Report," 50 *Child Welfare* 66, p. 67 (1971). And at the end of 5 years, 36.4% of the children were still in care. D. Fanshel, "Status Changes of Children in Foster Care: Final Results of the Columbia University Longitudinal Study," 55 *Child Welfare* 143, p. 145 (1976). See also, H. Maas, "Children in Long-Term Foster Care," 48 *Child Welfare* 321, p. 324 (1969).

[8] For example, in the New York longitudinal study, it was found that 46% of the children still in care at the end of 5 years had experienced 3 or more placements. Fanshel, "Status Changes of Children in Foster Care," *supra*, note 7, p. 165.

[9] There are indications that the longer children remain in care the more prone they are to display signs of emotional disturbance. Fanshel, "The Exit of Children from Foster Care," *supra*, note 7, p. 66.

on paper but ignored in foster care may dramatically decrease a child's chances of leaving the system,[10] it is essential that everything possible be done in the early stages of placement to guarantee that a child not drift in the system when alernative resolutions could still be effectuated.[11]

CONDITIONS OF PLACEMENT

We wholeheartedly support those provisions of H.R. 7200 and the Administration's proposal that require that a child must be placed in the least restrictive setting most approximating a family and as close as possible to his natural home. Institutional placements are severely traumatic for children and such placements can be avoided if one of the articulated goals of a child protection system is to eliminate them.[12] Furthermore, there is evidence that children placed in institutions are more likely to be subjected to multiple placements[13] and they are in reality less likely to be adopted if return home proves impossible, since there is no opportunity for them to develop relationships with prospective adoptive families. Therefore, we believe that institutional placements should be used only as a last resort if a foster family home cannot be found and we heartily endorse the Administration's proposal to limit federal matching funds for institutional placements to 80% of the otherwise applicable matching percentage as a disincentive to such placements.

We further support retention of the provision in H.R. 7200 that a child must be placed in close proximity to the home of his natural family. Many children in foster care are placed outside of their home communities, or even their home states, thus making visiting by the natural parents impossible; if a parent fails to visit the child, the social work agency is unlikely to recommend that the child go home, so failure to visit may significantly decrease the likelihood of eventual return of the child to the natural home.[14]

PROCEDURAL PROTECTIONS AND DUE PROCESS

To a great extent, procedural due process protections for the child, the natural family and the foster family are at the very core of any foster care reform effort if it is to be effective. We believe that it is absolutely essential that the states be required by this legislation to establish mechanisms for review of agency action, at every stage of the placement process—by any of the parties who might be aggrieved by that action—and for a built-in procedural incentive to early decision-making with respect to the ultimate fate of the child. This type of protection would in part be provided by the initial judicial determinations and the case plan reviews discussed above, but these alone would not be sufficient. The two other primary procedural protections which we believe to be necessary are a mandatory dispositional hearing within a specified time and a grievance procedure through which children, parents and foster parents may seek review of agency action.

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[10] The New York longitudinal study found that 32% of the children leaving foster care left within the first six month period after entry, 25% left within the second six month period, 17% in the third, and only 8% in the fourth. Fanshel, "The Exit of Children from Foster Care," *supra*, note 7, p. 67.

[11] The case of Dennis Smith described at the beginning of this statement is a perfect illustration of this type of problem. This boy could have been adopted if steps had been taken to that end early enough. No case plan was ever made for him, however, and his situation was never reviewed by any court or independent body outside the agency until he was 14 years old. This absence of accountability on the part of the agency is the primary factor to which Dennis Smith's 17 years in limbo may be attributed.

[12] A demonstration project was conducted in Metropolitan Nashville and Davidson County, Tennessee, to improve the care of neglected and abused children. In addition to case planning and prevention of unnecessary removal of children from their homes, one of the primary goals of the program was to reduce the number of institutional placements. In the first year of the program, the number of institutional placements was reduced to 22 from 247 in the previous year. M. Burt and R. Balyeat, "A New System for Improving the Care of Neglected and Abused Children," 53 *Child Welfare* 167, p. 172 (1974).

[13] In the New York 5-year longitudinal study, it was found that children who were placed initially in congregate shelter care experienced more placements. Fanshel, "Status Changes of Children in Foster Care," *supra*, note 7, p. 168.

[14] In a Rhode Island study of 413 children in foster care who had been in care for less than 3 years and who had natural parents in the community, it was found that "children whose mothers visited them frequently in foster care . . . were more likely to return home than those who had infrequent visits." E. Sherman, R. Neuman, and A. Shyne, *Children Adrift in Foster Care: A Study of Alternative Approaches*, p. 77 (1973).

The dispositional hearing is necessary in order to establish a timetable with a deadline by which a decision must be reached concerning a child's future.[15] There is substantial evidence to suggest that if such a determination is not made, concerning whether the child is to return home or be adopted, by the time a child has been in care for a year and a half, there is a strong likelihood that he will remain in care indefinitely.[16] The knowledge that a decision must be made at a definite point may also act as a catalyst to social service agencies to make greater efforts during the one and a half year period to discharge the child from the system through provision of services to natural families than is currently the common practice.

The necessity for a hearing procedure for grievances is twofold: first, agencies frequently take actions concerning visitation, placement, removal and services which may not be in the best interest of the child but for which there is no available mechanism for review, either judicial or administrative; second, states often fail to comply with federal laws and HEW has been markedly unsuccessful in enforcing them.[17] The existence of a grievance procedure would to a great extent enable individual parents, foster parents and children to assume some responsibility for insuring that federal and state requirements were complied with, at least in their own cases. Thus, the system could, to some degree, become self-enforcing. Very often agencies and their employees take actions which are arbitrary and unwarranted or fail to provide to children or families services to which they are by law entitled. Under the present system, in most states, there are no avenues by which aggrieved parties can seek review of their complaints, even through the court system, since the courts are often unwilling to "second-guess" agency discretion in the absence of specific provisions for review.

The final due process protection which we urge the Committee to include in this legislation is a provision for court-appointed counsel, to represent those parties who are unable to afford retained counsel, at each stage of the process in which judicial action is called for. We endorse the provision in H.R. 7200 for court-appointed counsel at the 18 month dispositional hearing and we also would recommend inclusion of the right to counsel for the initial judicial determination concerning the necessity for foster placement. Many states' laws do not provide for counsel for either the child or the natural parents and it is unrealistic to assume that poor families—children and parents alike—will be able effectively to resist the powers of the state or to avail themselves of their legal rights to services without the assistance of a competent legal advocate. Merely to provide that the parties are entitled to the representation of their choice in any of the judicial or administrative reveiew proceedings would discriminate against the large proportion of children and families involved in the foster care system who are poor and unable to afford to retain counsel. Provision of counsel would protect the integrity of the fact-finding process at the earliest possible stage—in which maintenance of the natural family and avoidance of the costs of unnecessary foster care placements may best be accomplished.

ADOPTION SUBSIDIES

We heartily endorse the provisions of the Administration's proposal with respect to adoption subsidies for children who are deemed to have special needs and would therefore be hard to place in adoptive homes. The proposals to permit such children to retain their Medi-Cal eligibility following adoption are particularly desirable from the perspective of encouraging the adoption of

[15] In a 10-year follow-up study of 422 children in foster care throughout the country, it was found that more than half (52%) of the children remained in care for 6 years or longer and nearly a third (31%) for 10 years or longer. Maas, "Children in Long Term Foster Care," *supra*, note 7, p. 323. The Joint Legislative Audit Committee of the California Legislature reported in 1973 that of children over age 5 in foster care, one-third have been in foster care continuously for five years or more. Joint Legislative Audit Committee Report on Children in Foster Care (June, 1973). Thus, if decisions are not made at an early point, the child may not leave the system for a very long time, if at all.

[16] The New York 5-year longitudinal study demonstrated that of the children who were discharged from care within 3 and ½ years, only 8% left during the fourth-six month period, and insignificant percentages thereafter. Fanshel, "The Exit of Children from Foster Care," *supra*, note 7, p. 67.

[17] This has been recognized and documented in a Report to the Congress by Comptroller General of the United States, "Children in Foster Care—Steps Government Can Take to Improve their Care," February 1977.

children with physical handicaps or serious medical problems. The financial burden of adopting a child with severe health problems and extensive medical needs makes the adoption of such children all but impossible. We would also endorse the Administration's proposal that maintenance subsidies be continued until the child reaches the age of majority or, in the case of a mentally or physically handicapped child, is emancipated. The provisions of H.R. 7200 limiting adoption subsidies to one year or the length of time the child was in foster care are unduly restrictive and would not enable a poor family to adopt an eligible child.

We recommend inclusion of a provision for waiver of the means test for prospective adoptive families in special circumstances such as the existence of a strong relationship between a child and a foster family desirous of adopting him. In reality, particularly for older, handicapped or minority children, the only family likely to adopt is a family with whom the child has been placed and with whom the child has developed a relationship. Although such a family might fail the means test, it also might, because of responsibilities to its own children or other financial circmstances, be financially unable to adopt a child without the assistance of a subsidy. To deprive the child of its only chance for permanence and stability for such a reason would be highly unfortunate.

We therefore urge the Committee to act favorably on the foster care and adoptions proposals which are currently before it.

DUTCHESS COUNTY CHILD DEVELOPMENT COMMITTEE,
COUNTY OFFICE BUILDING—NELSON HOUSE ANNEX,
Poughkeepsie, N. Y., July 19, 1977.

STATEMENT FOR THE RECORD OF THE SUBCOMMITTEE ON PUBLIC ASSISTANCE OF THE SENATE FINANCE COMMITTEE

The Dutchess County Child Development Committee, an advisory committee of the County Legislature with representatives from 25 county agencies and organizations, at its monthly meeting today expressed its support for full funding of Title IV–B child welfare services as projected in HR 7200, passed by the House of Representatives on June 14, 1977.

We also express support for the bill's increased funding of child welfare services to prevent foster care and to aid the return of children to their own homes, including funding of child day care to meet the needs of the child.

But we urge that the Senate prevent the merger of such Title IV–B funds with Title XX funding, so that they cannot be absorbed to cover local and state administrative budgets with no funding of direct services for children, as has occurred with the P.L. 94–401 child day care monies.

DOROTHY O. LASDAY, *Chairman.*

(See attached clipping.)

[From the Poughkeepsie Journal, May 29, 1977]

DAY CARE FALTERING

(By Louis Peck, Journal staff writer)

Almost eight months after Dutchess County ended day care funding for so-called "income eligible" children, almost half the children originally involved in the program have been dropped from local day care centers.

And the centers, while trying to maintain day care for the remaining children through alternate funding sources find themselves in a financial crunch. There was additional federal funding approved late last summer for day care—but this money has been stalled in Albany due to disputes over who should get it.

"We run from day to day," said Ruth Delorey, director of the Community Day Care Center in Poughkeepsie. "If we can pay our bills, the children can stay."

Day care funding for "income eligible children" involved providing of day care services to about 60 children whose families were not on welfare but who made less than 80 per cent of the state median income. Of the 60 children, about 50 were concentrated in three centers in Poughkeepsie, including Mrs.

Delorey's. Now, only about 25 of these remain due to Social Services Commissioner W. Joseph Eagen's controversial decision to end the program.

What this cutback has meant is a point of dispute between day care advocates and Eagen. Those close to the day care situation in the county say that some working mothers have been forced back onto welfare due to the cuts, while other children now lack proper supervision. Both Mrs. DeLorey and Dorothy Lasday, chairman of the county's Child Development Committee, cited cases where mothers have been forced to turn complete custody of the child over to relatives in order to continue working.

Eagen, however, challenged contentions that the cuts had had a significantly negative impact. "Some have made their own plans (for child care)," he said. "This is what we recommended anyway. It's a lot cheaper than $50 a week for day care." He said he knows of only one case where a family had gone back on welfare, "and they should have been on welfare to begin with."

The dispute dates back to last July, when Eagen presented a plan for services for the year beginning Oct. 1, 1976. The plan, required under the so-called federal Title 20 program, eliminated a $150,000 item for purchase of day care for income eligible families.

Eagen contended that decreasing federal reimbursement under the Title 20 program had forced his move. Others questioned why he had zeroed in on day care as a target for cuts. The County Legislature subsequently sought to force Eagen to reinstate day care, but the measure was vetoed by County Executive Edward C. Schueler. Finally, a resolution was passed to enable the county to take advantage of new federal funding for day care—the same funding that, eight months later, remains stalled in Albany.

At the heart of the controversy are differing philosophical viewpoints of the day care concept itself.

"To start with, I'm against day care," Eagen said last week. "I think it's detrimental to kids. My position is that 95 per cent of the kids in Dutchess County are cared for in their own home. I don't see why we have to take income eligible children and put them in a plush day care situation."

Day care officials counter that the children involved in "income eligible" day care come largely from families headed by the mother, and feel it is important the mother be able to work rather than going back on welfare.

"The whole thrust is trying to get mothers back to work—this is what we're trying to do," said Alexander Pokrey, director of Poughkeepsie's Family Development and Day Care Center. Pokrey's center had 28 of the original 60 children in the income eligible program; his center has only been ablt to keep 12 to 13 of them due to the funding curtailment.

"Most of these cases involve one parent families where the mother is the sole breadwinner," Pokrey said. "Now, with the cuts, these kids are not getting proper supervision. We see some of these children running the streets."

Pokrey said his center is not only able to provide supervision and nutritional meals for the children, but is open all summer as well—providing an outlet for school age children without other activities.

"It's a preventive thing," he said. "So much money is spent after a youngster gets into trouble. Our thrust is in preventing that trouble."

Pokrey said his center has determined which of the income eligible children will be kept "based on the most need." Those children are being supported by city Community Development (CD) funds, he said.

Part of their funding has also come from scholarship money available to Family Development and Day Care Center. This, in turn, has reduced the scholarship funds available to families just above the income eligible level of 80 per cent of the state median income ($12,135 for a family of four).

Mrs. DeLorey said the Community Day Care Center has been able to keep about seven of an original 13 income eligible children. "We've been hit even harder because we have some children from out in the county," she explained, noting they aren't eligible for CD funding.

Mr. DeLorey said the center in is an "extreme deficit situation" and has been kept going due to the aid of the First Baptist Church and small donations supplementing United Way contributions. "It amounts to poor people trying to raise money for poor people," she said.

The third center which had a large number of income eligible children—Poughkeepsie Day Nursery—has seen that number shrink from nine to a current four because of funding cutbacks. All three centers had received about 25 to 30 per cent of their funding through the income eligible day care program.

With many counties across the country eliminating day care from the Title 20 program, Congress late last summer passed a $200 million appropriation directed at such day care programming. Just over $17 million was directed at New York State.

According to Child Development Committee Chairman Lasday, about $85,000 of this will come to Dutchess County if past formulas are followed—still short of the $150,000 spent in the past years for income eligible day care.

The money has been stalled because of the state's desire to keep the $17 million for administrative expenses, Mrs. Lasday said. "The state claims it's in great fiscal straits, and needs the money," she said.

However, state legislative committee prevented such a move—and a bill is now in the Assembly which would force the state to release the money to the various counties. If the bill passes, how much Dutchess County gets would be up to the formula worked out by the State Department of Social Services.

STATEMENT OF ROBERT H. MNOOKIN, PROFESSOR OF LAW, UNIVERSITY OF CALIFORNIA (BERKELEY), AND JESSICA S. PERS, RESEARCH ASSOCIATE,

CHILDOOD AND GOVERNMENT PROJECT, UNIVERSITY OF CALIFORNIA (BERKELEY)

Most American parents raise their children free of intrusive legal constraints or major governmental interference. Although compulsory education and child labor laws place conspicuous legal limitations on parents, the family, not the state, has primary responsibility for child rearing. Despite this predominant pattern, there are about 300,000 children under 18 among the nation's nearly 70 million for whom the state has assumed primary parenting responsibility.[1] These children live in state sponsored foster care, a term used to include foster family homes, group homes, and children's institutions. For some of these children, usually called "dependent" or "neglected," the state has assumed responsibility because no one else is available: some children are orphans; others have been voluntarily given up by a family no longer willing or able to care for them. A significant number of children, however, are placed in foster care because the state, through juvenile court, has intervened, found parents to be unfit or inadequate and coercively removed the child from parental custory.[2] The discussion and recommendations that follows are designed to revise and improve foster care for dependent and neglected children who are voluntarily placed by their parents or coercively removed by the state, particularly children who enter the system when they are quite young. Different policy consideration underlie the use of foster care for older children or delinquents, where it sometimes serves as an alternative to incarceration.[3]

Three levels of government—local, state and federal—share responsibility for foster care. This article will focus on the present federal role and will suggest reforms at the federal level that could solve some problems and limitations of the existing system. We believe that the care of dependent and neglected children should remain primarily a state and local responsibility, but that federal policy should be structured to encourage certain needed reforms at the state and local levels.

THE PRESENT FEDERAL ROLE

Currently, state governments, sometimes with local involvement, organize and administer foster care programs, and the federal government's imput is almost entirely financial. In California, for example, the counties, which first established the system of care for dependent and neglected children in the 1800's, still have primary operating responsibility for foster care.[4] County governments set the payment rate for the foster parents and institutions in that county, approve the facilities for placement and determine how responsibility should be shared between the probation and social welfare departments. These

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[1] See, generally, *Mnookin, Foster Care—In Whose Best Interest?* 43 Harvard Education Review 599, at 600, n. 1 (November 1973).

[2] See, e.g., *Cal. Welf. & Inst. Code* §300 (West Supp. 1977), *formerly Cal. Welf. & Inst. Code* §600.

[3] For example, in California, children adjudged wards of the court under *Cal. Welf. & Inst. Code* §602 (West 1972), may also be placed in foster homes.

[4] *J. Pers, Government as Parent: Administering Foster Care in California*, at 12 (1976) (hereinafter cited as *Pers*).

two departments oversee and organize the process by which children enter the foster care system—whether or not the juvenile court is involved—and provide day-to-day casework and counseling services for foster children, their natural and foster families.[5]

The state government in California is mainly concerned with financing foster care and, to a lesser degree, with supervising and licensing functions. The federal government contributes to the financial support of less than one-half of the national foster care population—children from families eligible for federal AFDC funds who are removed from their homes after a judicial determination that removal is necessary for the child's welfare.[6]

The limits of the current federal role—to provide funds for foster care but not to make or influence policy—can be partially explained by the history of federally-supported foster care within the AFDC program of the Social Security Act of 1935. Before passage of the Social Security Act, care of poor, neglected and dependent children was a state, local and private responsibility. Although the federal Children's Bureau was concerned with children separated from parents and relatives, the federal government provided meager financial support for children who were orphaned, abandoned or removed from their families because of neglect or abuse.

The federal AFDC program did not initially include foster care. In fact, the program emphasized the importance of supporting poor children within their own homes or the homes of relatives, and not resorting to out-of-home placement.[7] Providing federal aid for children not living with their families was seen as undermining the Social Security Act's central policy of encouraging family unity and responsibility. Legislators felt that the limited federal funds available should be used to maintain the social structure of the family rather than to support alternative child-rearing structures.

Nevertheless, some families were denied support under the AFDC program. During the 1940's and 50's many state AFDC plans approved for federal support included provisions for discontinuing support payments to children whose homes were found to be "unsuitable."[8] However, at the same time, the prohibitive costs of caring for a child outside the home discouraged states from judicially removing children from parental custody, unless a relative or other person offered to care for or support the child. Consequently, a welfare department was likely to find a home "unsuitable" and discontinue AFDC payments, but leave a child to live in that "unsuitable" home.

The 1962 amendments to the Social Security Act changed the situation significantly. Thereafter, children who had been receiving AFDC payments within their own homes became eligible for an even higher federal reimbursement if they were removed from their homes as "a result of a judicial determination to the effect that continuation therein would be contrary to the welfare of such child."[9] The requirement of a court decision was a compromise. It provided a means for the federal government to share in state and local foster care costs, but *only* in those cases where the court, as an independent decision-maker, had found that the interests of the child and the duty of the state to proect its children outweighed the interests of family privacy and necessitated removal from parental custody for the child's welfare.

The availability of federal funds for out-of-home care did not significantly affect the states' behavior, since the states were still not obligated to include foster care as a regular part of their AFDC program. Most states did not immediately apply for federal funds because the Act required certain changes in foster care administration for eligibility. Moreover, only a fraction of the children already in foster care would have become eligible under the amendments, since many were not removed by courts and those who had come before the court were not always AFDC recipients at the time they were removed. By June, 1965, only 23 states had accepted the AFDC foster care program and were using it to care for 5,779 children.[10]

In 1967, after continuing controversy between HEW and several states over their foster care programs, the AFDC foster care program was made manda-

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[5] *Id.* at Chapter II.
[6] 42 U.S.C. §608 (1970).
[7] 42 U.S.C. §601 (1970).
[8] *Pers, supra* note 4 at 70–74.
[9] 42 U.S.C. §608(a)(1)(1970).
[10] *W. Oliphant, AFDC Foster Care: Problems and Recommendations*, at 6 (1974).

tory for all states to begin in 1969. Eligibility for federal reimbursement was extended to children who were not actually AFDC recipients but who would have been if application had been made when the court removed them from parental custody.[11] These amendments expanded the national AFDC program dramatically, although there are still wide variation among states. For instance, a 1974 study of eleven states concluded that the proportion of federally-supported AFDC children to the total state foster care population ranged from 7 to 62 percent.[12]

THE PROBLEM

Today, the federal government pays a portion of the maintenance costs of foster children from families eligible for AFDC who are removed from their homes after a judicial determination that removal is necessary for the child's welfare. As of May 1976, the federal government contributed to the support of approximately 116,000 children in foster care.[13] State officials may choose between two formulae when calculating their percentage of federal reimbursement, according to the state's per capita income.[14] Under each formula, poorer states receive a higher percentage reimbursement. The federal government does not contribute at all to the maintenance costs of children who are placed in foster homes after a juvenile court has found them to be delinquents, or children who are voluntarily placed by their parents without any judicial involvement. In addition, the federal government provides money for foster care services for all children as part of the national appropriation for services under Title IV-B of the Social Security Act.[15]

The amount of federal money going toward state foster care programs is significant: for the year 1975, federal financial involvement in AFDC foster care under Title IV-A of the Social Security Act amounted to $137,822,000.[16]

The federal government does little more than give this money to states to run their programs. Although federal laws seem to place some "strings" on the federal contribution to foster care costs, in truth, Washington provides money to states and localities without any program or policy focus. Language in the AFDC law encourages caring for dependent children in their own or a relative's home and providing financial assistance and rehabilitative services to maintain and strengthen family life, but the federal government does not condition its financial support on evidence that state programs actually incorporate these goals. Federal regulations in the area are loose, and provide few incentives for states to restructure their programs and thus, assume only minimal control over how federal money is spend. Under current regulations the federal government will not reimburse states for foster care costs unless a plan submitted to Washington provides for: 1) case planning for every child in foster care; 2) semi-annual reviews to reassess the need for foster care placement; and 3) services to improve the conditions in the home from which the child was removed or to place the child in a relative's home.[17] However, a recent report by the federal General Accounting Office (GAO) revealed that in many cases, state plan requirements are not implemented. The GAO Report concluded that case planning was often undocumented and incomplete and that the semi-annual reviews required by the regulations were inadequate in more than one-half the cases surveyed.[18] Thus, the current federal role in foster care has

[11] 42 U.S.C. §608(a)(4) (1970).

[12] *W. Oliphant, AFDC Foster Care: Problems and Recommendations* (1970). This study covered Florida, Kentucky, Louisiana, Minnesota, Montana, New York, Oklahoma, Pennsylvania, Rhode Island, Vermont and Washington.

[13] *Comptroller General of the United States, Children in Foster Care Institution—Steps Government Can Take to Improve Their Care*, at 2 (1977) (hereinafter cited as GAO Report). The report reviewed institutional placements in California, New York, New Jersey and Georgia, which accounted for about two-thirds of AFDC foster children in institutions as of March 1976.

[14] The most significant difference in the formulae is that the Title IV-A "Federal share" percentage ranges betwen 33⅓ precnt and 66⅔ percent of the first $100 spent per child, while the Title XIX "Federal medical assistance" percentage varies between 50 and 83 percent and has no dollar limit per child.

[15] Under Title IV-B of the Social Security Act 42 *U.S.C.* §620 (1970) (Child Welfare Services), Congress has authorized $266 million annually, but as of now, only $57 is actually appropriated. Under this Title, the federal government reimburses the costs of both in-home and foster care services for all children, not only thos who are eligible for AFDC. California, for example, uses IV-B money to fund protective services for all children.

[16] *GAO Report, supra* note 13 at 2.

[17] 42 U.S.C. §608(f)(1) (1970).

[18] *GAO Report, supra* note 13 at 8,9.

three important characteristics: (1) The financial involvement of the federal government is significant; (2) Regulations are loose and often unenforced; and (3) The federal government has almost no control over how its money is spent by the states.

PROBLEMS WITH CURRENT STATE SYSTEMS

If federal money was used to support innovative and successful state foster care program, the absence of federal guidance and control would raise no significant problems. However, state programs are often inefficient and may actually damage children and families rather than protect and strengthen them. Foster care is the most extreme form of state intervention in child rearing since for a time at least, it destroys the basic family unit. However, because of funding pressures and social agency staffing, foster care is sometimes the only remedy the state has for responding to family problems. Rather than being used only when non-removal poses a substantial danger to the child and no reasonable alternatives are available to protect the child within the home, foster care is at times used before the state attempts any less drastic means for dealing with family dysfunction.

The judicial standards used to determine when children should be removed from parental custody and how long they should remain in out-of-home care are vaguely defined in terms of the "best interests of the child." Such a standard calls for individualized determinations, usually made by judges who are untrained in psychology or child development and who must, therefore, rely on personal theories and outlooks to inform their discretion.

Once the decision to remove a child from parental custody is made, foster care is designed to be short-term care: the child is removed from the home for his or her protection and to facilitate rehabilitation of parents and reunification of the natural family. Some children do remain in foster care for a short period while their natural parents work out problems. However, this pattern is the exception rather than the rule. On the basis of their analysis in 1959, Mass and Engler prediceted that "better than half" of the more than 4,000 children they studied would be "living a major part of their childhood in foster families and instituton."[19] Similarly, in a study of 624 children under 12 who entered foster care during 1966 and were there at least 90 days. Fanshel found that 46 percent were still in foster care 3½ years later.[20] Wiltse and Gambrill examined a sample composed of 772 San Francisco foster children, about one-half of that county's foster care caseload. They found that 62 percent of these children were expected to remain in foster care until maturity; the average length of time in care for all the children in their sample was nearly 5 years.[21] One juvenile court judge has written about his surprise at the beginning of his term when he found that many of the neglected children under his jurisdiction had been in "temporary" foster care for five to six years.[22]

States might minimize the length of time children remain in foster care by working intensively with natural parents to correct the problems necessitating removal. However, after children have been removed from their custody natural parents are rarely offered rehabilitative sevices. A Massachusetts study noted:

"Almost all studies have shown that virtually no services are avaialble to biological families after a child has been placed in foster home care. Aggravating that fact is that most of these families are weak to begin with and supportive and restitutive services would have to be of the highest quality to have any effect. These facts have lead agencies to write off families rather than place their efforts on attempting to bring about positive change. . . . Judgments such as these, however, have been consistently made without the benefit of adequate, highly quality services . . . having been provided on a consistent enough basis to conceivably return a child to his own home.[23]

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[19] *H. Maas & R. Engler, Children in Need of Parents*, at 356 (1959).

[20] Fanshel, *The Exit of Children from Foster Care: An Interim Research Report*, 50 Child Welfare 65 (1971).

[21] See Wiltse & Gambrill, *Foster Care, 1973: A Reappraisal*, 32 Pub. Welf. (1974).

[22] *See* Cracy, *Neglect, Red Tape and Adoption*, 6 *Nat'l Probation & Parole Ass'n J.* —, 34 (1960).

[23] *Governor's Commission on Adoption and Foster Care, Commonwealth of Massachusetts, Foster Home Care in Massachusetts*, at 3 (1973).

Again, in theory, since foster care is designed for short-term situations, when a child must be removed from parental custody for a longer period, state agencies should explore and implement more stable and continuous care arrangements, such as adoption or guardianship. However, long-term plans that could provide foster children with a sense of security and stability are rarely made and implemented. One study concluded that "for nearly two-thirds (64 percent) of the children in foster care the public agencies reported that the only plan was continuation in foster care." [24] Moreover, because neither the foster parents nor the agency is under an obligation to keep the child in the original placement, children are often moved from one foster home to another.

Although adoption probably provides the best chance of stability and continuity, few foster children are ever adopted. In one study of foster children supervised by public agencies, only 13 percent of the children were considered likely to be adopted.[25] Social welfare agencies are frequently reluctant to pursue adoption for foster children because it requires final termination of parents' legal rights, an act that necessitates a separate legal proceeding often involving more stringent standards than those used for the initial removal from parental custody. As time passes, adoption becomes less likely. Indeed, after a child has been in foster care for more than 18 months, the chance of his either returning home or being adopted is remote.

One explanation for the inadequacy of long-range plans is that foster care placements are not adequately reviewed by courts or social agencies. In California, as in many states, the juvenile court has a continuing responsibility for children after they are removed from parental custody and put in foster care and is required to conduct an annual review hearing to determine what has happened to the child and what plans are being made for the future.[26] The social worker or probation officer responsible for the child is required by statute to make an investigation and file a supplemental report for this hearing.[27] But, the annual-review process is not used to make careful individualized determinations. In a selected California county during a one-month period, the court reviewed 177 cases involving 321 children, 169 of whom were in foster care. Approximately two-thirds of these hearings took two minutes or less. Only six percent took ten minutes or more, and the longest took twenty minutes.[28] Nearly all the court's decisions were based on a two- or three-page report written by the social worker responsible for the case. *Not one* report specified the agencies plans for the child between the current hearing and the next review or the goals set for the child and his family during that period. Instead, the reports simply recounted what had happened to the child since the last review.

The problem of inadequate alternatives to foster care, ill-defined standards and lack of adequate review and planning apply to children who have been voluntarily placed by their parents as well as those coercively removed by the juvenile court. In fact, social welfare officials are held even less accountable for voluntarily-placed children, since there is no judicial review of removal without a court order.

In sum, state foster care systems that are partially funded by the federal government have four serious limitations:

1. Children are coercively removed from parental custody or accepted for voluntary placement before the social services agency has tried to solve family problems through less drastic means.

2. The legal standard used when courts remove children from parental custody is vague and subject to abuse.

3. After children are removed from parental custody, the state expends insufficient effort to solve the problems that initially led to placement and to reunite the family.

4. Existing programs do not define a time frame within which important decisions affecting children must be made. Too often, children who cannot return to their natural families drift in foster care and no permanent plans

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[24] *H. Jeter, Children, Problems and Services in Child Welfare Programs,* at 87 (1963).
[25] *Id.* This same study anticipated that only 12 percent would return home. *See also* Lewis, *Foster Family Care: Has It Fulfilled Its Promise?* 355 *The Annals,* 31, 36 (1964).
[26] *Cal. Welf & Inst. Code* §366 (West Supp. 1977).
[27] *Cal. Welf. & Inst. Code* §366 (West Supp. 1977).
[28] *See generally* Mnookin, *Child Custody Adjudication: Judicial Functions in the Face of Indeterminacy,* 39 *Law & Cont. Prob.* 226, 273–77 (1975).

for their care are made. Requirements for "annual reviews" of foster care placements do not adequately insure that long-range plans are made and implemented.

THE DIRECTION OF STATE FOSTER CARE REFORM

The criticisms already made, and the recommendations that follow are based on three principles that should be made explicit:

1. *The family, not the state, should have primary responsibility for child rearing.* Children should be coercively removed from parental custody only when they face substantial danger within the home, and there are no reasonable means to protect them within the home through the use of services.

2. *Government coercion, even for the best purposes, should not be exercised in an arbitrary and capricious way.* The decision to require foster care placement should be based on legal statndards that can be applied in a consistent and even-handed way, and ot be ifluenced by the values of a particular judge or social worker.

3. *Continuity and stability for the child should be a primary goal of state policy.* Where removal is necessary, the state should purposefully seek, when possible, to help the child's parents overcome problems that led to removal so that the child can return home as soon as possible. Where the child cannot return home in a reasonable time, despite efforts by the state, the state should have a duty to seek a stable alternative arrangement for the child, preferably through adoption. Children, particularly younger children, should not be left in foster care for an indefinite period of time.

The California legislature recently passed a bill, SB 30, that can be used to illustrate the proper direction for state foster care reform.[29]

First, to replace the present vague dispositional standard for juvenile court proceedings that allows removal whenever the "welfare of the minor" requires, the new legislation allows removal only if a court specifically finds: (a) there is a substantial danger to the physical health of the child or the child is suffering severe emotional damage; and (b) there are no reasonable means acceptable to the child's parents by which the child's physical or emotional health may be protected without removing the child from their physical custody.

Whether or not the minor is removed, the court may order appropriate services for the parents and child to reunite the family or to make the family setting safe for the child. These services include family therapy, day care, crisis intervention care, homemaker services and various types of counseling.

Second, the bill provides for six-month reviews of all dependency cases at which time the court must determine the progress made taward reuniting the family, the services provided, the effectiveness of those services and the need for additional services.

Third, if despite the state's efforts, the child remains out of the home for 12 or 18 months (12 months for minors under 2 years of age or 14 and older who desire adoption; 18 months for all others) the court must investigate opportunities for finding adoptive parents, legal guardians or a stable long-term foster care placement. The bill incorporates a preference for adoption, the least expensive and most stable placement, with certain exceptions.

Fourth, the bill develops standards for voluntary placement of children, a program that is not regulated at all under present state law. A county welfare department must first offer appropriate services to parents who desire to place their children in foster care. If the child is placed, the bill requires that the county welfare department and parents sign a voluntary placement agreement that sets forth the rights and duties of both the department and the parents. After six months of placement outside the home and provision of services to the family, the department is required either to file a juvenile court petition to have the child declared a dependant or hold an administrative review of the placement. After 12 months of placement, the department must file a dependency petition, and after 18 months in placement the court must investigate the opportunities for long-term stable placement, as described above for children who first enter foster care as dependents of the court.

The California legislation establishes demonstration projects in two counties where the legal framework around foster care would be changed as outlined

[29] The Family Protection Act of 1976, SB30, codified at *Cal. Welf. & Inst. Code* §§300 et seq. *passim* (West Supp. 1977).

above, and substantial state funding would be provided to develop services to make removal unnecessary and shorten the average stay in foster care.

While the new California program could be improved, it does point the direction of appropriate state reform: states should adopt policies that will reduce the number of children who must be placed in foster care, and insure that those children who are placed in foster care will remain in out-of-home care as short a time as possible.

THE FEDERAL ROLE IN REFORM

The relationship between the federal role and these suggested state reforms is complicated. If the reforms were implemented without any change in federal involvement, state foster care systems would still be greatly improved. However, with increased financial pressure on the states and localities to find preventive and family reunification services, state officials would be likely to push for federal financial support of voluntary placement, as well as court ordered placement. Unless voluntary placements are limited to a short time period—six months perhaps—federal reimbursement would create an unfortunate financial incentive—states would be encouraged to accept children for voluntary placement without looking into alternatives and official decision making would be immune from judicial review.[30] Furthermore, if no additional federal money were available to develop and implement services, states might be forced to emphasize preventive and foster care services under Title XX [31] to the exclusion of other necessary social services.

Thus, the "simple" solution of maintaining the current federal role is unacceptable. Three changes might be advocated:

(1) The federal government could withdraw totally from foster care funding and force states to develop and pay for programs on their own. This proposal is politically impossible and would unduly disrupt state programs. However, it is arguable that up to this point, the federal constitution has insulated states from a financial "pinch" that might have encouraged reform, and that by abdicating its role, the federal government might spur cost-effective innovations.

(2) The federal government could condition its financial contribution on a state's compliance with detailed standards and requirements. In effect, the Social Security Act could be amended to require states to implement reforms in order to receive any federal reimubrsement. For example, a bill introduced in the 95th Congress seeks to repeal section 608 of the Social Security Act and instead, to condition federal reimbursement on a state's submission of a foster care services plan fulfilling certain specified requirements. The state plan, to be developed by an advisory board and administered by a single state agency, would require specified changes in a state's court dependency proceedings, voluntary placement apparatus, placement and transfer procedures, case planning, record-keeping, services provision after placement, review procedures and long-term decisionmaking for foster children. In short, the bill would mandate every state to implement a system similar to that described by California's SB 30 as a precondition to receiving federal funds for foster care.[32]

Although this approach would tie federal support to federal control, it would disrupt the state-federal balance in an area of tradition state concern. Furthermore, without total federalization of dependency and neglect laws, a process as discretionary and individualized as foster care would be difficult to control. Even with detailed federal regulation, sanctions against states in non-compliance are difficult to imagine. It seems unlikely that Washington would cut off funds to recalcitrant states and jeopardize children already in care. But, without such sanction, federal regulation will be as ineffectual as it is today.

(3) Rather than conditioning federal money on specified *procedures* for initiating and monitoring foster care, the federal government could stress *outcome* measures. This method would retain the federal financial contribution without federalizing foster care and would use the already-existing policy and focus of Title XX to encourage state provision of alternative services before foster care placement and family reunification services after placement.

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[30] Evidence suggests that voluntary placements often last as long as court-ordered placements.

[31] See discussion of Title XX *infra*.

[32] The Foster Care and Adoption Reform Act of 1977, H.R. 5859, 95th Cong. 1st Sess. (1977).

Under this proposal, the Social Security Act would be amended to provide financial incentives for states to minimize the need for foster care and to encourage children to remain in foster care for only short periods. At present, the percentage of federal reimbursement for the costs of foster care maintenance payments to a state depends primarily on the wealth of the state, not on objective criteria relating to the adequacy of the state's performance. Instead Congress could enact legislation that would reward states with "successful" foster care programs by basing federal reimbursement on objective criteria. Possible criterial include: (a) *the proportion of children in foster care*, with the greatest percentage of federal reimbursement per child, not exceeding the actual costs of foster care placement, going to states with the smallest foster care program after standardization for population characeristics; (b) *the average time children remain in foster care*, so that federal reimbursement in greatest for children in foster care for the shortest period of time, (c) *the availability of alternative services* to alleviate the need for foster care placement and encourage reunification of families after placement, and (d) *the proportion of foster children for whom permanent disposition is made*, i.e. adoption, guardianship or long-term care.

Further, to aid states in improving foster care programs in these ways the federal government could sponsor and support experimental state and local programs designed to protect children within their homes rather than resorting to foster care placement and to reduce the average length of time children stay in foster care after removal.

As a by-product of this federal action, states would be encouraged to find ways to decrease the need for foster care and to use a greater portion of their appropriation for social services under Title XX [33] to fund preventive, child protective and family reunification services. Title XX, passed by Congress in 1975 and effective in 1975, is a form of "special revenue- sharing" for services, providing 75 percent federal reimbursement for service costs up to a national ceiling of $2.5 billion and a ceiling in each state based on the ratio of that state's population to the national population. Title XX allows states great flexibility to determine local service needs and to implement programs designed to meet five broadly-defined national goals:

(1) achieving or maintaining economic self-support to prevent, reduce, or eliminate dependency,

(2) achieving or maintaining self-sufficiency, including reduction or prevention of dependency,

(3) preventing or remedying neglect, abuse, or exploitation of children and adults unable to protect their own interests, or preserving, rehabilitating or reuniting families.

(4) preventing or reducing inappropriate institutional care by providing for community-based care, homebased care, or other forms of less intensive care, or

(5) securing referral or admission for institutional care when other forms of care are not appropriate, or providing services to individuals in institution.[34]

The purpose of Title XX is spelled out in its legislative history:

"Through this mechanism the States will be able to construct programs to meet their particular needs within a predetermined amount of Federal funding without regulatory impediments which often have made planning and program development an impossibility." [35]

Early supporters of the legislation noted a variety of services that could be funded, many of which would encourage alternatives to foster care or provide ways to reduce the time spent in foster care, for example: protective services for children, day care, homemaker services, chore services, home management and other functional educational services, housing improvement services, legal services, transportation services, education and training, employment services and services to combat alcoholism and drug addiction.[36]

Thus, by devising outcome criteria for reimbursement of foster care maintenance costs, federal policy will encourage states to explore and implement a variety of services to obviate the need for foster care and to reunify families if foster care is necessary.

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[33] Social Services Amendments of 1974, Pub. L. No. 93-647, §2, 88 Stat. 2337 (1975).
[34] Social Services Amendments of 1974, Pub. L. No. 93-647 §2001, 88 Stat. 237 (1975).
[35] *Legislative History of P.L. 93-647, U.S. Code Cong. & Adm. News*, 93rd Cong. 2d Sess. at 8138 (1975).
[36] *Ibid.*

However, developing valid outcome criteria will be difficult and they will have to be revised continually to insure that states with good programs are being rewarded. Also, states will be pressured to use their Title XX money for social service purposes other than foster care and with limited funds, some groups or programs may be jeopardized. Despite these problems, this alternative seems to hold the most promise, since even with substantial federal support, states and localities will retain overall responsibility and authority for their foster care programs. While avoiding the temptationof enacting a federal dependency law, Congress can create more appropriate incentives for states to reform foster care in a way that better reflects the proper relationship of the family to the state and the state to the federal government.

ASSOCIATION OF WASHINGTON STATE LEGAL SERVICES PROGRAMS,
Seattle, Wash., July 14, 1977.

Re Section 505(a) of H.R. 7200. Before the Senate Finance Committee.

DEAR ————. We regret the need to resort to this lengthy, Xeroxed letter. However, we feel it is imperative that we immediately reach as many concerned legislators as possible, and that we express our concerns completely, in order to try and prevent the heaping of further, crushing indignities and deprivation on Washington's poor.

Section 505(a) of H.R. 7200, as passed by the House, contains two major changes in the current law governing the payment of AFDC benefits:

1. *Involuntary Vendor Payments:* Welfare agencies would be allowed to use vendor payments or protective payments for up to 20% of the families on the rolls, without regard to the wishes of the family.

2. *"Voluntary" Vendor Payments:* Recipients would be allowed to "request" that up to 50% of their benefits be paid in the form of "two-party" checks, that is, checks made out to the recipient and the landlord or utility company which can be cashed only by the landlord or utility company (the "vendor"). There would be no limit on the number of recipients affected.

Neither the underlying misconceptions on which these provisions are based nor the far reaching and destructive effects which their enactment would bring may be readily apparent. Therefore, we ask that you take the time required to read and to carefully consider the following comments. It is not exaggerating to say that your failure to do so may result in the needless imposition of tremendous hardship upon thousands of Washington's citizens, and probably millions of others throughout the nation.

As you may be aware, the former provision, which deals with involuntary vendor payments, reflects an attempt to broaden an already existing mechanism rather than to implement an entirely new concept. As the law presently stands, Washington and other states are permitted to make involuntary vendor payments in no more than ten (10) per cent of their total caseloads when mismanagement has been established. We don't pretend that such action is never necessary to protect the best interests of children; nor do we suggest that it should not be utilized on the infrequent occasions when it is appropriate, provided there exist adequate safeguards to assure its necessity and to prevent, or at least limit its abuse.

While it may not be recognized as such, however, the existing 10%-of-caseload ceiling is one of the critically important protections against abusive use of the involuntary vendor payment as a coercive or punitive measure. The sad fact is that legal services agencies and other groups composed of or representing the poor simply cannot assist all those requiring help in resisting improper actions taken by the welfare authorities. As a result, doubling the number of individuals who may be subjected to these measures is likely to double the number who are wronged, and whose claims will be inadequately represented or, worse yet, never presented at all. We unfortunately cannot state that the 10%-of-caseload limitation—even when combined with additional procedural safeguards—has completely eliminated the potential for and existence of abuses in Washington. But we have been able, with hard work and continuing vigilance, to assist recipients in countering the most serious abuses under the present law. The scale should not be tipped further in favor of the bureaucracy.

It is particularly frustrating to see such action proposed at the same time that both the President and Secretary of HEW Califano have begun to move decisively to dispel what Secretary Califano has termed "pernicious myths"

about welfare recipients and to eliminate the waste, inefficiency, and delay that dogs welfare administration. One such myth—that great numbers of poor people mismanage their money—is implicit in this provision. However, not only has a substantial amount of authoritative evidence to the contrary been brought to your attention by other concerned groups and individuals, but Secretary Califano himself recently characterized this as one of the "phoney issues . . . that have so clouded past discussions." As to prompt, economical and efficient administration, there is no need to cite studies. On the first of this month, the welfare office serving the most impoverished community in Seattle, Washington was unable to process and disburse the regular monthly grants due to the shortage of time and staff which results from the present excess of paper work and regulations, and this was not an unprecedented event. Given these factors, welfare officials have neither the time nor any good reason to devote their attention to search for instances of mismanagement and processing more forms.

The latter provision permitting "voluntary" vendor payments, which *does* reflect an attempt to implement an entirely new concept, poses an even greater threat to the continued ability of our clients to persevere in their poverty. Although the provision purports to provide for "voluntary" payments, this will not be the case in actual practice in Washington. Our local welfare agencies are chaotic; policy changes are so regular and staff so overworked that the welfare agency rarely follows even its own rules. Faced with an impossible task (in large part due to a shortage of adequate money and personnel) agency staff frequently and regularly misinterpret policy, depriving recipients of their rights, misinform recipients about their duties, and in general, treat clients like objects. This chaos is equally present at the level of administration at the state capitol. For example, our Department of Social and Health Services supplies local offices with a form letter used to inform recipients about termination or other changes in their assistance. This form letter, used at every welfare office in Washington, misinforms recipients about their right to a fair hearing if they feel that a decision about their assistance was incorrect or illegal. In the midst of such chaos and disregard for the rights of recipients, many recipients will, in all probability, be placed on vendor payments without even being advised that this action has been or will be taken. Numerous others will be handed the "consent" form and told to sign it.

The coercion inherent in the welfare worker-client relationship is well known and it is alive and well in Washington. Because our clients are in such dire need of financial assistance, they often do whatever a welfare worker suggests in order toget assisttance. Even if overt "advice" is not given, questions about a recipient's reasons for opting out of the vendor payment system will lead many recipients to believe that they had better "toe the line" or risk unfavorable treatment in the future. Unfortunately, this view is often correct.

Coercion by landlords and utility companies will inevitably occur if this provision is enacted. When landlords and utility companies learn that AFDC recipients can "consent" to direct state payments to them, many will make such "consent" a pre-condition to housing or utility service. Instead of eliminating discrimination by landlords, vendor payments will serve to strengthen the power of landlords to discriminate. As it is, Washington landlords are able to exact inflated rents and to forego required repairs by threatening to report alleged welfare violations which uneducated recipients wrongly believe will result in reduction or termination of their assistance. By consenting to direct payment of rent, the tenant will forfeit the only effective remedy he or she has for forcing landlords to make repairs necessary for health and safety—repairing the building himself and deducting the cost of the repairs from the next rent payment. In effect, the "warranty of habitability" and "repair and deduct" remedies will be eliminated by direct state payments to landlords. Obviously, landlords would also have much less reason to take seriously the grievances of tenants whose rent will be paid regardless of the condition of the housing. Aside from weakening the position of already powerless AFDC recipients, this provision would result in a further burden on the courts in landlord-tenant disputes. We understand that individuals working in the area of housing in Washington have corresponded with you in more detail regarding these problems.

A related problem is the probable inability of welfare agencies to revoke vendor payments promptly when a recipient so requests. If the recipient obtains a job or enters a training program requiring a move to other housing, or would simply like to move, such a move would be impossible without the funds to make the rental deposit and first month's rent payment. When rental and

utility funds are tied up with the state, necessary mobility is impossible, thus creating a situation in which AFDC recipients who move will be behind in their rent from the month they relocate. The result would be more evictions, serious inconvenience to the recipient and his or her family, further discrimination against recipients by landlords, and a greater burden on the courts and county sheriffs.

The problems inherent in the latter provision are strongly indicated by the lack of unanimity in the action taken by the House Ways and Means Committee, and by the National Council of State Public Welfare Administrators' objection to the provision. We are aware that the House Ways and Means Committee, in recognition of the problem of utility and landlord coercion of recipients, amended the original H.R. 7200 so that two-party checks—signed by both the recipient and vendor—would be used if Section 505(a) is passed. Unfortunately, this will not ameliorate the inevitable coercion in any way. Landlords and utility companies can just as easily "request" that recipients sign a two-party check as a precondition to continued housing or utility services as they could have "requested" that recipients merely sign a "consent" form. Moreover, no provision is made for giving the recipient his or her assistance if he or she refuses to sign the two-party check. The problems of restricted recipient mobility and lack of access to legal remedies available to the non-poor in landlord tenant disputes remain. Indeed, the use of two-party checks merely adds another yard of red tape without addressing any of the real problems with Section 505(a).

To the minor extent that mismanagement is a problem, it is predominantly due, of course, to the inadequate income on which AFDC recipients are forced to subsist. Daily, public assistance recipients come to our offices for legal assistance because they were unable to pay one or another bill the previous month. This is hardly surprising in view of the fact that Washington's AFDC grant for a family of four is $1,190 below the urban poverty level, and less than half the local "lower budget" income. If Washington's AFDC recipients—over 86% of whom are children and single parents of school age children who are seeking work—had adequate funds to pay for rent, utilities, clothing, transportation, doctors, and so on, vendor payments would be unnecessary for the vast majority, and discrimination against recipients would be rare.

Whether or not greater financial assistance is forthcoming from Congress or Washington, however, Section 505(a) of H.R. 7200 should be eliminated for the reasons outlined above. Welfare recipients are already subjected to an excess of agency interference in their lives. Additional coercion by welfare agencies and landlords is unnecessary, counterproductive, and contrary to the interests of welfare recipients and all people who genuinely seek to reduce the extent of poverty in this country. These provisions do not serve that end. They not only insult and gravely threaten the poor, but their enactment will virtually guarantee the kind of unwarranted paternalism that leads to perpetual dependency.

We will sincerely appreciate your active concern.

Sincerely,

GERALD TARUTIS,
PATRICK MCINTYRE,
Managing Attorney,
Seattle Central Area Office.

STATEMENT OF MAYA MILLER, WOMEN'S LOBBY, INC.

Mr. Chairman, Members of the Committee, I am Maya Miller, director of the Women, Work & Welfare Project of Women's Lobby, Inc. The Lobby is a national organization with affiliates in forty states that works solely on women's rights legislation, and has for the past two years been directing special attention toward the forthcoming welfare reform.

We are particularly concerned with the features of this Bill which relate to Child Welfare Services, Adoption and Foster Care, and to the AFDC population. Well over 90% of what we now call "welfare" are women and their children who suffer the most severely of any segment of our society from the confusions and inequities of our present public assistance system. Women's Lobby will hope to testify before your sub-committee when you consider the Administration's welfare reform legislation later in the year. Right now, *HR 7200*, along with the Appropriation Bill for Labor-HEW are our opportunities to comment on public assistance as it is being amended in this Congress.

ADOPTION, ALTERNATIVE TO ABORTION

Women's Lobby views *HR 7200*, in concert with the House language restricting the use of Medicaid funds for the termination of pregnancy, as a cruel and bizarre bill to salve the conscience of a society that would force poor women to breed children they cannot afford. It is an elaborate scheme for child care devised by an Administration and a Congress which would punish women alone for the act of sex.

This Bill says to a poor woman, "If you have been caught with a pregnancy, don't worry; just go ahead with the nine months, no matter the danger to your health. You can rest assured that there are plenty of do-gooders ready and willing to take over once you have borne the child, to take over for the child, that is, if not for you."

None of the Administration's work or welfare plans which we have seen offers a poor woman bringing up her own child anything except continued poverty. *HR 7200* would offer her in the spirit of liberal largesse the chance to give the child away, leaving her alone after the full nine months, with whatever scars those months have left.

If she chooses to keep the child, *HR 7200* would hover over her in her poverty with a plethora of sanctimonious services and judgmental precautions for her state of dependency. It would pay the landlord for her, no matter what her other needs or the condition of the shelter. It would give her psychiatric help. It would transport her child in and out of foster care. It would give her legal advice for adoption or "family reunification", and services to assist in post-placement adjustment. It would give her group counseling or group shelter. It would teach her homemaking and housekeeping and consumer arts. It would even give her "respite care." In short, *HR 7200* would do almost anything to keep her and her child *except* allow her to determine when she might bear a child and raise it herself either with or without its father, but with decency and dignity.

MORE MONEY FOR CHILD CARE

Women's Lobby is not unappreciative of the value of the child care services and the need for additional moneys to increase their capacities, given the numbers of mothers and fathers who need to work to earn even the low living standard income of $10,000. We testified in the House in favor of the continuance of the additional $200,000,000. federal funds for Child Day Care, and we would reiterate our support here.

However, Titles IV and V as they appear now in *HR 7200*, good and well-meaning as they may be, seem to us overall to be an insult to poor women and a boondoggle for the social service and legal professionals, *unless* the jobs described are insured to welfare mothers registered for WIN.

HIRE WELFARE MOTHERS

"Homemaker services, day care, twenty-four-hour crisis intervention, emergency caretaker services, emergency temporary shelters and group homes for adolescents, and emergency counseling, . . . transportation services, family and individual therapy, homemaker and housekeeper services, consumer education, respite care, information and referral services, . . ." are precisely the work which low-income women have specialized in for their own family survival and for the aid and survival of their neighbors. To pay them as professionals would seem to us reasonable and fair. But not to allow poor women the right to determine at what point in their lives they are physically, mentally, emotionally, financially prepared to bear and bring up children, and then to create a hierarchy of middle-class professionals whose jobs will feed off those poor women and their children does not seem to us reasonable or fair.

Only a scandalous ignorance of the pain and emotional strain of bearing a child could advance this complicated scheme for off-setting the harm which will be done by denying Medicaid to women seeking to end their pregnancies.

CHILD CARE AND THE NEED TO WORK

Specifically, we object to Sec. 426(b) which denies child day care provided solely for the employment of a parent. Our work on welfare reform has brought us to the firm conclusion that child care provided expressly for the purpose of the parent's employment is probably *the* crucial piece in effecting a welfare plan which is "pro-family" and "pro-work." We do not favor withholding child

care from a mother head-of-household who needs to work, and thus forcing her to give up her child to an adopting parent if she and her child are to live out of poverty. Nor do we favor withholding child care in order to force that mother to remain out of the job market, where she *must* be if she is to have ongoing work and an earned income to keep her and her child out of poverty.

COERCION TO ADOPTION?

Several other provisions of the bill offer dangerous potential for coercion for a mother to give up her child:

(1) Title V, 501(a)(1) p. 42:—eliminating the requirement that the child's removal from his own home be a matter of court determination. The very coercion of poverty may well help to prompt parental consent.

(2) Title V Sec. 411(b)(2):—expanding "hard to place" to include all those poverty-linked factors: color, race, ethnic background, language, etc.

(3) Title V Sec. 411:—subsidizing adopting parents. We object to bonuses given to other than natural parents for rearing children. Already States give more money to almost anyone—to foster parents, orphanages, children's homes, jails—than they are willing to give for AFDC. This bill adds adopting parents and exarcerbates the differential.

HOUSING VENDOR PAYMENTS

Women's Lobby also opposes the provisions encouraging welfare agencies to subtract rent from AFDC payments (Sect. 406(b), pp. 49 & 50). The dual signature check is one more impingment on a mother's freedom to manage her family's budget for the best interest of that family.

WIN TAX BREAKS FOR HIRE OF WELFARE MOTHERS

Regarding the WIN tax incentives to businesses for the hiring of welfare mothers (Title III (4) amending Sect. 50B(a)(2)(B) of the Internal Revenue Code to extend this incentive another year), Women's Lobby is frankly of two minds. We do not believe in the trickle-down method of delivering help to poor by giving bonuses to business. But welfare women have had such a hard time breaking into the job market, and have suffered so from society's alienation from what it sees as their lazy unwillingness to work, that we have welcomed at least the results of this 20% tax break because it has shown many employers that poor women with small children *do* want to work outside as well as inside the home, that they often have special skills in the performance of such work, and also that they have special needs to care for their own children as well. It has, in short, been a small boost at least in chipping away at the myth of lazy AFDC mothers. But why do we always have to subsidize business? Does the job not pay well enough to cover her basic needs, including the care of her own child or children? Or does the society not have enough jobs to include women in its regular job pool concepts? (Women on AFDC required to register for work have never been counted in the unemployment statistics. We have to assume, therefore, that they will never be given an equal crack at jobs by any administration seeking to show a reduction in the unemployment figures.) Where we have seen this particular tax break used most successfully is where welfare mothers themselves have ended up with their own child care centers and therefore have ended being the entrepeneurs possessed of the tax break, plus the opportunity to help train other welfare motheers for this important service job.

CONSULTING WOMEN ON WOMEN WORK & WELFARE

We will not expand further on this subject at this time, but Women's Lobby would very much appreciate the opportunity to discuss with you our very considerable thinking and experience on the subject of welfare, women, and work.

STATEMENT OF RAYMOND W. VOWELL, COMMISSIONER, STATE DEPARTMENT OF PUBLIC WELFARE, THE STATE OF TEXAS

Chairman Moynihan: My name is Raymond W. Vowell. I am Commissioner of the Texas State Department of Public Welfare.

I appreciate the opportunity to appear before this Subcommittee to discuss this important piece of legislation. Although H.R. 7200 has a number of provisions in a number of areas, the most far-reaching are contained in Titles IV and V, as they relate to children who have lost or are in danger of losing their own families. The programs proposed in these two sections will have a positive effect in carrying out the administration's pledge to emphasize the importance of the preservation of family ties.

Tile IV will have significant impact on the nation's program of foster care for children. With it, the Congress is beginning to enunciate a position that establishes the right of each child to a family of its own, whether this be its own or a permanent family substitute. Further, this legisation lends its weight to preservation of the child's own family ties until this is no longer possible. For the child who no longer has retainable or repairable family ties Title V offers tangible resources to increase the range of substitute permanent families through the subsidization of adoptions.

The increase of the amount of funds available under Title IV-B of the Social Security Act and the deletion of the match requirement means that each state has the opportunity to move significantly in the direction of achieving the objectives included in the revised definition of child welfare services.

The continued linkage of Titles IV-B and XX in the same administrative unit is an essential feature of this entire plan. They should be so linked in the federal administrative structure. Since the late 1960s states have been able to link these two major social services programs into an integrated administrative mechanism which has resulted in a major expansion of services to children. From expenditures of some $5 million annually in the last year of the separately administered IV-B program (Social Security Act), Texas is now expending over $40 million annually for protective services to children, exclusive of any funds paid for foster care.

I have considerable concern, however, with some of the provisions of Section 402 of H.R. 7200. This section contains much detail including absolute prohibition against placement of children in foster care (except in emergencies) until certain actions have been taken, instructions followed as to the kinds and location of placements which may be used, time limits met on certain actions, etc. I have no quarrel with the kinds of actions required in these provisions. They are well known principles of good child welfare practice. But I do have great concern that they are written into law in such specific detail. I am reminded of the hampering effect of such specific provisions created by Public Law 93-247, the Child Abuse Prevention Act. Many states, including Texas, have spent more than three years trying to comply with a law containing many restrictive provisions which was further complicated by more restrictive regulations. Added to this were interpretations of regulations. All of these, when added together, meant that some states, which had good laws and practices in place at the time of passage of the law have only recently, if at all, met all of the qualifications for funds.

It is my urgent recommendation that Section 402 be modified to require states to file a state plan designed to carry out the purposes of the act as defined in Section 425, but the specific details be omitted from the law. By regulations, the Secretary can require states to use these funds for the purposes stated in the law.

A further modification which I would urge is that Section 426(a) be revised to allow states to expend amounts equal to their current allocations under Title IV-B for foster care payments. To do otherwise would be to require the dismantling of an existing system before a substitute, even a desirable one, is in place.

The provisions of Title V relating to foster care are constructive and are supported by my agency.

This Department has administered a limited adoption subsidy program for about a year and finds it a most promising approach to securing permanent homes for hard-to-place children. I pause to clarify for the Committee some of the confusion existing around the availability of children for adoption. Some public comment has been seen and heard questioning the need for subsidized adoptions. These comments cite the many families who wish to adopt children but who cannot seem to find adoptable children. These are the families who limit their requests to white infants. The children who are known to the state agencies providing protective services to children do not fit this description. Our children are minority race children, older children, and children who are

handicapped by mental or physical abnormalities. Many of them fall into all three of these classifications. In Texas in 1976, 969 children were placed for adoption. Of these three-fourths were over one year of age and one-third were over five years of age. One-fourth were emotionally, mentally, of physically handicapped; 55% were Anglo; 16% were Black; 21% were Mexican-American; and 8% were of mixed race.

Texas' adoption subsidy program, though small, has proven cost-effective. In the first six months of FY 1976 there were 63 children placed for adoption, with a subsidy being paid. These subsidies totaled $50,378 for a one-year period. Had these children remained in foster care, the estimated cost for their care for one year would have been more than $90,000. Thus in actual dollars in the first year of placement the program is cost-effective. Add to this the benefits to the child in having achieved permanent identity as part of a family, plus the savings in future years, and the program produces literally spectacular results.

As with Section 402, I find the wording of the law to be too specific for most favorable administration. The concept of subsidized adoptions is relatively new. Information is not yet available to establish the most effective combination of circumstances which warrant payment of a subsidy, appropriate amounts of subsidy, or optimum time periods for continuation of payments. To write as many specifics into law as are contained in Section 503 will have a tendency to mold the programs in patterns which may be found to be undesirable.

With regard to Section 504 relating to the Child Support Enforcement Program, it is my recommendation that this section be deleted in favor of the H.R. 1404 which already has been enacted. This is another example of a new program just now beginning to demonstrate its effectiveness. H.R. 1404 will facilitate the continuation of child support services to non-AFDC recipients for a longer period of time and will serve to solidify the program and allow it to move toward broader usage and a greater degree of client support.

The provisions of Title III are all constructive. The permanent increase of $200 million in the Title XX ceiling will be a step in the direction of catching up with inflation which at present is eroding the number of people who can be served by these programs. The extension of the provisions of Public Law 94-401 for another year, as they affect 100% funding for day care and use of funds to employ AFDC recipients in day care centers, will allow continuation of these programs which were slow in getting off the ground during the current fiscal year. In Texas, Public Law 94-401 has provided funds for child care for 14,500 school age children during the summary of 1977. Most of these are children who have heretofore been without supervision and care during their summer vacations from school.

I strongly support extension of the moratorium on Federal Interagency Day Care Requirements for one year. It is to be hoped that, by that time, the Department of Health, Education, and Welfare evaluation of these standards will be available for use in making necessary revisions to these standards.

Out of Title I, I would like to give special support to Sections 109, 110, and 113.

Section 109 extends from one to three months the time during which an SSI recipient may be in a medical institution before the recipient's SSI payment is reduced. This provision is in keeping with the philosophy of return of ill persons to their homes or other non-institutional settings at the earliest date possible. Allowing individuals to retain their full SSI payment for three months at the beginning of a stay in a medical institution will prevent long-term institutionalization in a number of instances. Individuals who can maintain their normal residences at the beginning of an illness often can return to that residence after the acute illness subsides. If the recipient does not have funds to continue to pay rent, utilities, and other costs, the recipient loses a residence which, in some cases, can never be regained. Nursing home care is then the only alternative.

Section 110 includes the $25 monthly payment to residents of medical institutions in the cost of living adjustments to SSI payments. This simply corrects a current inconsistency in the law. It will be of benefit to this particular group of people.

The changes included in Section 113 which considers separated spouses as individual recipients during the first month following separation will simplify administration. Also, it will correct some inequitable situations produced by separations which are beyond the control of a couple.

Thank you for the opportunity to present these views before the Committee.

6-30-77

Senator Russell B. Long, Chairman
Committee on Finance
Senate Office Building,
2227 Dirksen
Washington, D.C. 20510

Dear Senator Long:-

It is my firm conviction that all aid provided by H.R. 7200 should be administered by a seperate Welfare organization completely seperated from Social Security so as to prevent any and all costs of administering Welfare from being deducted from Social Security Funds.

Only payments to Retirees who have paid their Social Security Taxes up to the age of 62 or 65, depending on which date the Retiree selects to retire on, shall be paid from the Social Security Fund, plus of course the administrative costs of Social Security alone.

This would make all cost of personel required to handle such hundred aid, a savings to Social Security and increase the payments to Retirees, just that much more and God knows they need every penny in these times of inflation and high cost of living.

Welfare in any form should be limited to only American Citizens. No Alien should be allowed to benefit, at the expense of the American Taxpayer.

Immigration should be stopped intirely until unemployment in the United States falls below 4%, then only able bodied persons under age 65 should be allowed to immigrate if qualified for needed skills, not availab

in the United States at the time.

No Alien Blind, Disabled or over 65 years of age should be allowed to immigrate into the United States unless the sponsor is held criminaly responsible for all food, housing, clothing, hospital and medical and cash needs of the alien as long as the alien remains in the United States. Should the sponsor (who must be an American Citizen, fail to supply all of the above and the alien applys for Welfare in any form the sponsor shall be fined $500 to $1000, a year in jail or both for the first offense and $5000 five years in prison or both for each subsquente offense and made to stand the expense of deporting the alien back to His or Her Homeland. The sponsor to lose the right to petition for any other alien to receive an immigrant visa into the United States.

No Alien shall receive one cent of the American Taxpayers money for any reason and should those that are receiving checks at present, remain in the United States the sponsor should be made to pay back to the States and the U.S. Government all money received since the Alien entered the United States and if not the alien shall be deported. If the sponsor is an alien he or she shall be deported also.

Yours for the protection of the American taxpayer first.

Mr Edward Barnett
84-K-7 Kamias Rd.
Quezon City Philippines
3008

KENTUCKY BAPTIST CHILDCARE PROGRAM,
Middletown, Ky., July 8, 1977.

Senator RUSSELL B. LONG,
Chairman, Senate Finance Committee,
Dirksen Senate Office Building,
Washington, D.C.

DEAR SENATOR LONG: On behalf of private voluntary child care sector in general, and the Kentucky Baptist Board of Child Care in particular, I would like to offer this written testimony to your committee as you give consideration to H.R. 7200. My particular concern has to do with Title IV of this particular Bill and its implications regarding private child care institutions across our country. While I would agress at the outset that the Bill is basically a well-intentioned on, those of us who live and work in the private institutional sector see some flaws in it which cause me to write this word of testimony with the hope that some tempering can be given to this Bill as it goes through the process in the Senate and Congress.

My first and perhaps strongest reaction to the details of this Bill is the very open and blatant demonstration of the federal government reaching its avenues of control, not only into the stage level, but into private agencies as well. It seems that there is serious questions of the integrity of the private voluntary sector in our society which has played an extremely valuable role since the early days of the founding of our country. Children and children's rights must certainly be protected, but also I think we lose significantly more if the integrity of the private voluntary sector is slowly swallowed up by the powerful control forces emanating from Washington and through our state capitols. Even though we, as the largest private voluntary agency in the state of Kentucky, with a budget of one and one-half million dollars this year, take no federal or state funds for our services that are provided to the children of Kentucky, we would be directly affected by this Bill in that our license to operate is granted by the state of Kentucky and is based on federal funding as spoken to in H.R. 7200.

I trust that as your committee gives serious deliberation to this Bill that one of the ramifications that will be looked at extremely closely is the role of the private voluntary sector in our society today and the affect that such a restricting and limiting Bill will have upon it. I certainly do not want you to hear me as one who is simply interested in preserving the integrity of an institution at the expense of the needs and lives of children. Our agency, for one, operates out of a philosophy as basically contained in this Bill and that we feel that a child's place is in the home and when a call comes to us to place a child our first effort is to find a relative or to provide work in that community to see that the family is not separated. We take children into care in our institution only when there are no other ways for the family, either immediate or extended, to assume the responsibility that is rightfully theirs. We then begin to work with intense staffing patterns with the family back at home while the child is residing with us to facilitate his return to home as quickly as possible. Therefore, the part of my concern as it relates to the integrity of the private sector is that you need to know that there are agencies and states that are busy about this task and are quite capable of carrying it off without the federal government passing lengthly and complicated regulations which ultimately are expensive to the private agencies themselves.

Of a more technical nature, I am greatly concerned that this Bill appears to be calling for too much too quickly. In essence, as I understand it, it calls for a basic dismantling of the foster care system in our nation before the whole network of preventive services is really intact and functioning in the best interest of that child's family involved. To do them in sequence would seem to be a more realistic and positive way to go about this particular approach rather than calling for them all to happen at one time. On a deeper and somewhat emotional level, I hope that the committee, and ultimately the Senate can hear the facts of reality that such a Bill and the regulations ensuing from his Bill, will not alter the tragedy that is happening in American family life in our nation today. The Bill is, as I have said, extremely well intentioned, but I think it misses the reality that not only are many families beyond the point of preventive help being any real value, but also there are a number of families who are tired of and no longer want to carry the responsibility of their children. What I am saying, in essence, is that regardless of what bills

come from Congress, the reality will stand firmly and clearly that there will be a larger number of children who will need alternative living situations from their families for a short period of time. Most of the time when a child's needs come to our attention, the situation is so complex and has deteriorated to the point that preventive services are certainly a day late and a dollar short. There also is the very obvious reality to those of us who work in the child care sector that some of the best preventive work that can be done with a family to reunite it is to have a neutral setting for a child to live for a short period of time as a way of having a cooling off time for the entire family.

I deeply feel that there will always be a need for some residential group child care facilities across our nation due to the realities of what has happened in family life today. My greatest fear of this Bill is that the children and young people who are the focus of this Bill will ultimately become the losers as they begin to get tied up in the red tape shuffle of court processes and hearings and administrative reviews carried on by government. I urge you and your committee as you review this Bill to look carefully at the needs of children and young people and the specifics that will result from such a process as this Bill calls for. I want to make sure that you understand that I want to be counted solidly and firmly with any group and any Bill that will clear up the abuse of children, emotionally or physically, or any other way in our group child care settings across the nation. I think that incidents that have happened in the immediate past as exposed by Mr. Wooden in his book, *Weeping In The Playtime Of Others* are certainly deplorable and must not be tolerated at all. However, I think there are certainly other ways to go at that kind of thing without calling for the massive upheaval of the general foster care system as is called for in Bill 7200. I appreciate the opportunity to have this time of written testimony before your committee and am grateful for the opportunity as a citizen and professional child care person to be heard at this point. Be assured of our interest and concern as you deliberate this very significant Bill and its ultimate affect on the lives of children and young people in our land.

Sincerely.

WILLIAM E. AMOS,
Executive Director.

STATEMENT OF THOMAS A. COUGHLIN, DEPUTY COMMISSIONER, NEW YORK DEPARTMENT OF MENTAL HYGIENE FOR THE NATIONAL ASSOCIATION OF COORDINATORS OF STATE PROGRAMS FOR THE MENTALLY RETARDED, INC.

The National Association of Coordinators of State Programs for the Mentally Retarded is a non-profit organization consisting of the designated officials in the fifty states and territories who are directly responsible for the provision of residential and community services to a total of over ½ million mentally retarded children and adults. As a result, we have a vital stake in a variety of federal health, education and social welfare programs. The purpose of this statement is to share with Subcommittee members our views on proposed amendments to legislation authorizing the federal/state social services program (Title XX), Supplementary Security Income benefits (Title XVI), and Child Welfare Services (Title IV-B).

In recent years, as states have begun to emphasize the development of a wide range of residential and daytime alternatives to large, publicly-operated institutions, the number, scope and complexity of federal assistance programs impacting on state mental retardation agencies has increased tremendously. Of particular relevance to the Subcommittee's interests is the fact that roughly 91 percent of HEW's anticipated expenditures on behalf of mentally retarded citizens in FY 1977 will be obligated for income maintenance, social service and medical assistance payments authorized under the various titles of the Social Security Act.

Our testimony discusses several critical problems facing state mental retardation officials as they attempt to appropriately utilize existing federal resources. In addition, we have briefly outlined some of the steps which this Subcommittee might take to assist states which are seeking to develop community-based alternatives to large, congregate care facilities for mentally retarded children and adults.

A. CHILD WELFARE SERVICES

The House-passed version of "The Public Assistance Amendments of 1977" (H.R. 7200) would convert the existing federal-state child welfare program into an open-ended entitlement authority with a statutory spending ceiling of $266 million annually. The bill emphasizes the need to prevent unnecessary placement of children in foster homes, reunify families and strenghten family ties, find appropriate adoptive parents and facilitate placement in the least restrictive alternative when out-of-home care is required.

The Association would like to offer several general comments on the impact of family care programs for the mentally retarded and suggest some specific approaches to expanding and reshaping the existing federal-state child welfare program, as authorized under Title IV-B of the Social Security Act.

In recent years, more and more states have developed specialized family support and foster placement programs for the mentally retarded in an attempt to prevent unnecessary institutionalization and provide normal living environments for retarded children and adults. In the State of New York, for example, the Department of Mental Hygiene is currently engaged in an effort to reduce the number of mentally retarded residents in state operated institutions from 19,284 to 10,500 over a five year period. One of the most important elements in our current plans is to expand the number of children and adults in the Department's Family Care Program by approximately 3,500 persons.

In 1970, the New York Department of Mental Hygiene had 1,259 mentally retarded persons placed in Family Care Homes. Today, we have approximately 4,500 enrolled at an annual cost to the state of $7.9 million (excluding all SSI entitlements and reimbursements for out-of-home services and transportation). By 1981, we plan to have 8,000 retarded persons placed in Family Care Homes across the state at an annual cost of roughly $20 million.

New York State is not alone in its efforts to expand and strengthen services to mentally retarded persons living in either the home of their natural family or in foster homes. A few brief illustrations may help to underline this fact:

"MICHIGAN supports a network of specially licensed Family Care Training Homes for the mentally retarded. The basic costs of room and board for most retarded foster home residents are met through Supplementary Security Income payments, while the extraordinary costs of providing the in-home training and habilitation services required by these severely handicapped clients is paid for out of state mental health funds.

"In PENNSYLVANIA the Office of Mental Retardation's Family Resource Service Program provides a comprehensive array of services to assist families to maintain their retarded child at home. Among the services provided are respite care, baby sitter and homemaker services, recreation programs for the retarded, transportation, in-home therapy and parent training and counseling.

"WASHINGTON STATE has recently launched a Home Aid Program which is similar in many respects to the Pennsylvania Family Resource Service Program. Physical, occupational and recreational theraphy, transportation and in-home care on an emergency or respite basis are all provided."

These and similar efforts in other states to provide stable family living environments for mentally retarded individuals who might otherwise require institutional placement are a highly encouraging trend in our field. Within the context of an expanded and revised child welfare program, which aims at strengthening and reinforcing the role of the family unit and improving the quality of foster care placements, the specialized needs of the mentally retarded and other severely handicapped individuals need to be considered. In particular, we recommend the following changes in the House-passed version of H.R. 7200.

1. *The revised definition of "child welfare services", contained in Section 425 of the bill, should be amended to make it clear that Title IV-B funds can be used to assist a natural or foster family providing services to a severely handicapped child or adult in their home.* The House bill includes the term "handicapped" in its revised definition of child welfare services. The Association urges the Subcommittee to accept and build upon the House's action by adding language which explicitly authorizes the expenditure of Title IV-B funds to prevent institutionalization and expand normalized family living alternatives on behalf of handicapped children and adults.

Past experience with federal legislation indicates to us that human service programs frequently are not made available to severely handicapped persons unless explicit provisions are incorporated in the basic statutory authority.

Therefore, we feel it is particularly important that the Subcommittee address this point.

2. *Section 422(a)(1)(A) of the Social Security Act should be amended to grant the single state agency designated to administer the Title IV-B program statutory authority to contract with other public and private, non-profit agencies for the provision of specified child welfare services to the handicapped and similar groups.* In many states, including New York, responsibility for furnishing specialized family supports and foster care services on behalf of mentally retarded persons rests with the state mental retardation agency. Unless provision is made in the legislation for an effective authority, mentally retarded individuals—especially those with severe handicapping conditions—will be excluded from the benefits of increased federal support for child welfare services. Not only would retarded persons and their families be denied access to much needed services but a major opportunity to reduce the demand for institutional care would be missed.

The inclusion of contractual authority in Title IV-B would be entirely compatible with the present purchase of service arrangement under Title XX of the Social Security Act. Such a provision simply recognizes the complexity involved in delivering family support and foster family services and the resultant need to give the states considerable flexibility in how they organize to accomplish this mission. For example, in the case of the mentally retarded, it is absolutely essential that services to support the client in a family living environment are coordinated with the delivery of required daytime programs, transportation, and other support services. For this reason, New York and a growing number of other states have elected to have the state mental retardation agency operate specialized foster care and family support services for mentally retarded children and adults. It would be wrong to penalize retarded persons because their state has, for quite rational and justifiable reasons, elected to organize its service delivery system in this manner.

As the experience with Title XX has demonstrated, a designated single state agency can contract with other public and private, non-profit agencies and still retain overall responsibility for the program. Since the issues are similar, we feel the Subcommittee should incorporate in Title IV-B a purchase of service mechanism similar to the one used in the Title XX program.

3. *While the Association agrees with the House's prohibition against using the increased Title IV-B allotments for foster care maintenance expenses, states should be permitted to use these federal funds for the provision of special in-home services, provided certain requirements are met.* The capability of maintaining a severely handicapped person in a foster home is often contingent on the availability of specially trained foster parents who are able to supplement and reinforce the developmental skills the clients are acquiring outside the home. Without a supportive home environment, the only alternative for these children would be placement in a congregate care institution.

States such as Michigan and Nebraska have successfully placed scores of multi-handicapped children and adults in foster care settings who, even five years ago, professionals would have said could not be maintained in a family environment. In every case, the key to success has been the ability to purchase specific in-home, habilitative services on the client's behalf.

There is an established precedent under Title XX for considering the cost of services, above the basic foster care payment, as a reimburseable expense (Section 2002(a)(11)(B) of the Social Security Act.) We recommend that the Subcommittee include a comparable provision in Section 422(a)(1)(B) of the Social Security Act to make it clear that the same essential safeguards against abuse contained in HEW's final social services regulations, dated January 31, 1977, should be applied to this new provision. Such action would be compatible with the views expressed by the House Ways and Means Committee in its report on H.R. 7200. The Committee said that Title IV-B funds "can be used to train and compensate foster parents of the special services which they provide beyond room, board, care and supervision which constitutes basic foster care" and went on to stipulate that the restriction applicable to Title XX expenditures should be applied to the new program (p. 59, H. Ret. 95-394).

4. *Section 425 of the House bill should be amended to permit the use of Title IV-B funds on behalf of SSI eligible blind and disabled adults who require foster family care and family support services.* As currently drafted, services would be limited to children 21 years of age or under.

The Association believes that the same rationale used to justify the provision of child welfare services to neglected, dependent and abused children also applies to developmentally disabled adults who require a structured living environment in order to live in the community.

While the Association agrees with the House bill's strong emphasis on preventing unnecessary or prolonged placements in foster care settings, it is important to recognize that for a significant number of severely handicapped individuals a foster home may be the only viable alternative to institutionalization. The Association's members are keenly aware of the importance of providing a wide range of support services to the family in order to preserve the family's capability of caring for their handicapped child in the home. As programs in Washington State, Pennsylvania and other jurisdictions have demonstrated, the most humane and cost effective approach to avoiding institutionalization is to offer parents and siblings of a handicapped youngster the assistance they need to maintain the child at home.

Nonetheless, for a wide variety of reasons, it is clear that some families will be unable to cope with the pressures of raising a severely handicapped child and, therefore, there will be a continuing need for out-of-home placements. In such instances, licensed foster or familycare home may be the best—or perhaps the only—alternative to admission to a large, public or private institution. In addition, as I indicated above, states like New York, which are currently engaged in massive deinstitutionalization efforts, view the expansion of foster care services as an essential ingredient to the success of their efforts.

Therefore, the Association suggests that the Subcommittee exercise care so as not to impede the use of Title IV-B funds to assure the orderly development of high quality foster family homes for the mentally retarded and other severely handicapped persons who otherwise would require care in more restrictive and costly institutional settings.

B. SOCIAL SERVICES

Last year Congress approved legislation which temporarily raises the $2.5 billion ceiling on allotments under Title XX of the Social Security Act in order to help the states comply with federal child care staffing standards. This special $200 million increase in Title XX aid, which is earmarked for child care expenditures, is scheduled to expire on September 30 of this year unless Congress acts to extend it.

The House-passed bill would make permanent the $200 million increase in the Title XX spending ceiling and extend through FY 1978 language earmarking these funds for child care staffing improvements.

The Association strongly endorses increasing the Title XX ceiling to $2.7 billion in FY 1978 and recommends the addition of a cost-of-living escalator so that the ceiling can be adjusted automatically in future years. In states such as New York, which have been at their Title XX expenditure ceiling since 1972, the scope of services funded through federal dollars has gradually eroded as the cost of salaries and other operating expenses has increased. The fiscal burden of picking up the slack has either fallen on the shoulders of the states and localities or, in some instances, essential services have had to be eliminated or scaled down. Equity demands that Congress take this fact into account and authorize a system of annual adjustments in the allotment ceiling. Basing the cost-of-living escalator on the annual percentage increase in SSI and Social Security benefits would appear to us to be the fairest approach.

C. ADOPTION SUBSIDIES

Title V of H.R. 7200 authorizes subsidy payments to adoptive parents on behalf of hard-to-place, AFDC—eligible children, provided: (a) the child has been in foster care for at least six months; (b) efforts to locate suitable adoptive parents have proven unsuccessful; (c) the amount of the monthly subsidy does not exceed the foster care payment plus any special health costs; and (d) the duration of the payment does not exceed the total number of months the child was in foster care (except that special health payments may continue until the child reaches majority).

The Subcommittee should modify the House's restrictions on adoption subsidies in order to insure that the new program serves as a position incentive for prospective adoptive parents. As currently written, the subsidy program

would offer a very limited incentive to parents interested in adopting a child who has been in foster care for a relatively short period of time (e.g., a year or less). And yet, these children are generally the best prospects for adoption. Indeed, the House provision may serve as an inducement to maintain a child in foster care longer than necessary—the exact opposite of the purported intent of the program.

In addition, eligibility for adoption subsidies should be extended to SSI eligible children as well as those in AFDC families. Since the SSI means test is higher than the comparable AFDC test in some states, certain disabled children who meet both the disability criteria and the family income test for SSI benefits would not be eligible for an adoption subsidy under the language of the House bill. Since the rationale for authorizing adoption subsidies in such cases is low family income, hard-to-place youngsters, greater cost effectiveness of adoption when compared to other out-of-home placement options, etc., the language of the bill should be amended to extend eligibility to all SSI eligible children.

D. SUPPLEMENTARY SECURITY INCOME

The Association supports Title I of H.R. 7200 which would amend several provisions of Title XVI of the Social Security Act. In particular, we favor:

(a) *Lowering the age of majority from 21 to 18 for all blind and disabled recipients.* The current rules surrounding "student" eligibility are confusing and complex, and as a result, contain numerous inequities—especially for severely mentally handicapped youths who often receive their training in non-academic settings.

(b) *Excluding certain gifts and inheritances from the SSI income test.*

(c) *Increasing the monthly payment level to persumptively eligible indipiduals.* The purpose of presumptive eligibility is to accelerate the process of moving individuals who clearly meet the disability and income tests into payment status without the prolonged delays often associated with a formal determination of disability. Given the low rate of "false-positives" and the administrative red tape involved in a differential payment level, it seems simpler and most human to pay such an individual the full amount of the monthly federal payment.

(d) *Extending to 90 days the period in which an individual may reside in a medical institution without loss of SSI eligibility.*

(e) *Extendng the exclusion of income provided by charitable organizations to individuals in community as well as institutional settings.*

(f) *Authorizing an annual cost-of-living increase for beneficiaries living in medical institutions.* When Congress amended Titles II and XVI in 1973 to provide a yearly cost-of-living adjustment in Social Security and SSI benefits, this provision was not applied to the reduced $25-a-month payment to eligible recipients in Medicare and Medicaid certified institutions. It seems only equitable that benefits to such recipients should be indexed as well.

In addition, the Association recommends that Title XVI be amended to treat the wages of clients in sheltered workshops as earned income for purposes of determining their SSI eligibility and entitlements to monthly benefits.

Under a new policy adopted by the Social Security Administration in May 1976, wages earned by sheltered workshop clients who are engaged in a rehabilitation program are considered *unearned* income. Since only the first $20 of unearned income in any given month is disregarded for SSI purposes, all wage payments in excess of this amount cause a dollar-for-dollar reduction in the individual's SSI check. Prior to adoption of this policy, sheltered workshop wages were considered *earned* income and, therefore, under SSA rules, up to $65 of monthly earnings (in addition to the initial $20 of earned or unearned income) could be disregarded for purposes of determining SSI eligibility or payment levels.

Since the adoption of the new policy, our Association has received numerous complaints from state officials and organizations operating sheltered workshops about the termination and reduction of SSI benefits to workshop clients. After consulting with responsible SSA officials we have concluded that the only way to eliminate these inequitable reductions in the benefits of sheltered workshop clients is for Congress to amend the Act to make it clear that the wages of such persons will be treated as *earned* income.

Strict, nationwide enforcement of SSA's current policy would cause the reduction or total elimination of benefits to several thousand needy, develop-

mentally disabled adults. To many of these individuals loss of SSI benefits could spell the difference between a sterile life of institutional dependency and a richer and more meaningful existence in a normal community setting. For this reason, we urge the Subcommittee to include a connective amendment in H.R. 7200.

We appreciate this opportunity to share the Association's views with the Subcommittee. Your past efforts to eliminate barriers to the full participation of mentally retarded citizens in our society are deeply appreciated by the Association's members. For our part, we pledge our full support and cooperation as you consider this important legislation.

STATEMENT OF HON. LUCILLE MOORE, VICE CHAIRWOMAN, SAN DIEGO COUNTY BOARD OF SUPERVISORS

Mr. Chairman and Members of the Committee, The purpose of my testimony today is to urge your committee to support an increase in resources for protection of children. I am pleased that Congressional review of this issue so far has been supportive. I want to give you additional information that will help you reaffirm your commitment to the special needs of children, and to show you how San Diego County has, and will continue, to develop services to protect helpless children, prevent abuse of children, and return children to normal family life when possible.

San Diego County is a relatively large county with a population of over 1½ million persons. It covers over 4,000 square miles with a large metropolitan community and a widespread rural area. For more than two decades, San Diego County has been one of the fastest growing communities in the United States. The Board of Supervisors has had a consistent interest in keeping up with needed services of all kinds.

We have tried to be sensitive to the social service needs of our citizens. We have not been reluctant to take leadership in developing programs. San Diego had the first license in California to operate a public adoption agency. That was in 1947. Soon after that, we created a strong, specialized Child Protective and Placement Program in the County Welfare Department. In 1962, we developed one of the first case assessment guides for social workers at the time congress enacted the expanded social services under Title IVA. More recently, we have allocated a very significant portion of General Revenue Sharing money to human need programs in both the public and private sectors.

My point is that San Diego County has been a responsible partner with the Federal Government.

For the 1976–77 fiscal year, San Diego has an allocation of $266,000 for Title IVB Child Welfare services. It is estimated that we will, in fact, spend approximately $900,000. The deficit will be made up from Federal Title XX and local property tax funds. Social workers in the Welfare Department investigate suspected child abuse and neglect, counsel parents and give supportive services and try to eliminate the danger to threatened children. The Welfare Department has assigned social workers to work closely with Law Enforcement agencies so that the police will recognize the symptoms of child abuse. I might say parenthetically, that the San Diego City Chief of Police has written a letter of commendation to the County Welfare Department on the effectiveness of our joint program. He pointed out that officers were identifying three times as many child abuse cases this year as they were over two years ago. The County Sheriff is now also asking for this kind of social service assistance. The intent is to also include social services in the early review of suspected child neglect and abuse complaints.

Several months ago, San Diego County organized special units for prevention of abuse and neglect. Why wait until the child has been damaged and requires removal from the parents?

School teachers and even neighbors know the danger signs. We are finding that young, immature parents often do not know how to maintain a healthful and safe home. Often a little time spent with such parents by a "Teaching Homemaker" produces remarkable results and reduces the risk of a neglected child.

We are also finding that there is an increasing rate of pregnancy among young girls; really children of 12, 13 and 14 years of age. Some are having

their second pregnancy before the age of 16. Specialized social workers are attempting to find the underlying causes and are devising preventative services to assist these young people. Early information shows that the problems of early pregnancy and "run-aways" come from experiences in the home that are damaging. Some of the home problems are: prolonged absence of one parent, severe overcrowding, alcoholism, passive parents and sexual abuse by relatives in the home. This means that the range of Child Welfare protective and preventative services must begin with the entire family as soon as the signs of risk for the children can be recognized.

Our attention to the neglected and abused child has historically begun after the child has suffered. This often results in removal of the child from the home, court supervision, and the use of expensive medical and rehabilitative services. I would estimate that, for every dollar spent under the purposes of Title IVB, that savings of at least $3 could be realized from AFDC–FG, Medicaid or SSI programs.

Mr. Chairman, I want to assure this Committee that we have no concern with maintenance of effort requirements that might be expected of states and local communities. The need for expanded Child Welfare services is so obvious that this is no issue for us.

I also want to reassure this Committee that we have no intent to utilize any additional funds to offset income maintenance costs, including foster care or institutional costs. Some of the funds may be needed for emergency care arrangements, however, especially where it is a part of a short term, coordinated planning period for the child's future. This improves the opportunity for returning a child to their own home or completing arrangements for care in the home of a relative. It reduces the potential use of foster homes or institutions as a permanent plan for the child.

In San Diego County, we do not use Title IVB money to provide a subsidy to adoptive parents who have limited means. With additional funds, we would assist some adoptive parents, particularly when the adoptive child has a handicap or medical problem. This would improve our opportunity to place children in a permanent home when the only barrier is the financial ability of the adoptive parents to provide special education, rehabilitation or corrective medical care.

In order to plan and implement good child welfare programs, there must be a commitment both by the Congress and the states that there is an important job to be done. We are willing to accept our role in this process. I am asking Congress to accept its role by insuring that there will be a continuity of funding. It is important that Title IVB funding be converted to an entitlement to states. Continuation of an authorization, subject to yearly budget review, will leave communities reluctant to enter into long range planning. This would reduce the strength of the services so badly needed. I believe an entitlement of $266 million, distributed to States on the basis of population, should be approved at this time for fiscal 1978. There should be provision for increases in entitlement each year based on the cost of living beginning in fiscal 1979.

VETERANS OF FOREIGN WARS OF THE UNITED STATES,
Washington, D.C., July 19, 1977.

STATEMENT OF DONALD H. SCHWAB, DIRECTOR, NATIONAL LEGISLATIVE SERVICE, VETERANS OF FOREIGN WARS OF THE UNITED STATES

Mr. Chairman and members of the committee: Thank you for the privilege of presenting to this Committee the views of the Veterans of Foreign Wars of the United States with respect to pending legislation.

My name is Donald H. Schwab and my title is Director of the National Legislative Service of the Veterans of Foreign Wars of the United States.

Mr. Chairman, as you are aware, the instant legislation, H.R. 7200, was passed by the House of Representatives under the suspension of rules on June 14, 1977 by a roll call vote of 335 yeas to 64 nays, with 34 not voting.

Although the Veterans of Foreign Wars is concerned with only a small portion of this 52 page bill, we noted both the speed and procedure used to shepherd this legislation through the House of Representatives as enunciated on Pages H5808 through H5832 of the CONGRESSIONAL RECORD of June 14, 1977.

The very real and deep concern of the Veterans of Foreign Wars lies in Title IV of the bill, entitled "Child Welfare Services Program". Although we, as a private institution, are not concerned with the prohibition of states spending more on foster care in 1978 than they did in 1977, as enunciated in Section 426(a), we are most disturbed with the number of "protections" to curtail the use of foster care. These restrictions are in the form of conditions that states must meet to receive Title IV-B entitlement funds and federal matching funds for foster care under Title IV-A after September, 1979. All state programs must "provide and insure" the following:

1. That no child will be placed in foster care, except in emergency situations, either voluntarily or involuntarily, unless services aimed at preventing the need for placement have been provided; and
2. That no child will be taken from his home except on a short-term basis in emergency situations unless there has been a *judicial determination* for removal; and
3. That parents and the agency sign a "voluntary placement agreement" prior to any voluntary placement of a child; and
4. That any child in foster care will be placed in the *least restrictive* setting, as near to his or her family as possible, and with relatives where possible; and
5. That reunification services be made available to parents and child after removal; and
6. That *individual case plans be developed for each child* placed in foster care. Plans will stipulate an *administrative review after six months, a disposition hearing by a court or court-appointed administrator within 18 months* to determine whether the child should be returned home, placed in an adoptive home or in another type of permanent living arrangement; and
7. That *due process procedures* be available to any parent, foster parent, guardian or child to contest any action pertaining to foster care placement or denial of rights or benefits available under Title IV-B or IV-A foster care.

For the edification of all concerned the Veterans of Foreign Wars' National Home, located at Eaton Rapids, Michigan, has been maintained by the V.F.W. and its Ladies Auxiliary since 1925, to care for the children of deceased and disabled veterans of the V.F.W. Children at the home reside in comfortable homes that have been built through the generosity of V.F.W. and Ladies Auxiliary members of the various states. Each home has its own housemother and the children attend public schools and the church of his or her choice. The Home has its own hospital, swimming pool, library, gymnasium and athletic field, among other things. Funds for the maintenance and operation of our National Home come from the following:

1. The annual sales of "Buddy Poppies", 12½ percent.
2. The sale of Home Christmas Seals, 50 percent.
3. Donations, 12½ percent.
4. Investments, 25 percent.

Appended to my testimony is our pamphlet, entitled "V.F.W. Family Benefits to You and to Your Family", which fully describes our V.F.W. National Home.

The above listed provisions are considered to be financially and administratively prohibitive in foster homes supported by private funds.

In view of the foregoing, it is requested that appropriate language be added which would specifically limit the applicability of those restrictive provisions to those foster homes supported by state and/or federal funds, and which would specifically exclude their applicability to those foster homes supported solely by private funds.

Thank you.

WOBURN COUNCIL OF SOCIAL CONCERN, INC.,
Woburn, Mass., July 14, 1977.

WRITTEN TESTIMONY

To: Members of the Senate Finance Committee.
From: Ethel Bernstein-Sidney, Director, Children's Center.
Re: HR 7200.

I wish that I could come before you in person today to speak on behalf of the young children of this country, their families, and the many committed people

who work in the field of day care; I cannot. It is ironic that I cannot be here because of inadequate funding, for that is the very theme of this testimony. I must, instead, rely on the mail and local calls to legislators to carry my message to you.

Almost one year ago, September 1976, the Congress of this nation appropriated 200 million dollars for expanding and improving day care through P.L. 94-401. This money was available in different amounts to the states of this country. The responsibility for developing plans to spend the funds was given to each state. September 30, 1977, was set as the deadline for expenditure of the money.

This action evoked hope in me that the Congress does care about the young children of the United States. My optimism, however, was premature; I was not truly prepared for what has come to pass. At that time, being politically naive, I expected that money appropriated for day care would be spent on day care. The fact that there was no maintenance of effort clause attached to the appropriation did not daunt my spirits. The money, I thought, would be spent as appropriated.

For Massachusetts this meant up to 5.488 million dollars of federal money for Title XX services that is 100% reimbursable. Despite pressure from the day care community, a plan was not acted upon until the budget for FY 78 was submitted to the state legislature this spring. Of the 94-401 money available to day care people in the state of Massachusetts only 2.63 million dollars was designated for our use—a rude awakening to say the least, but an experience shared by colleagues in other states.

It was with much pain that I learned this week of the final outcome of PL 94-401 money ('76-'77) for the state of Massachusetts. State Representative Paleologos and State Senator Rotundi, our two supportive legislators, confirmed that the budget for FY 78 (state of Massachusetts) contains 1.57 million dollars out of a possible 5.488 million dollars for day care—another cut of more than 1 million dollars. The rest of the money that was allocated by Congress for day care is being absorbed by the state to fund existing services (inadequately funded for the past three years) or is not being utilized at all. The outcome is still unclear as no one is available to give out the information. This because the legislation was appropriated without a maintenance of effort clause last year.

I cannot help but believe that a giant and cruel hoax was purposefully or unconsciously pulled by Congress and the last administration on the children, families, and people who care for them of this. It is a sad day when the government officials that we elect do not value our most precious resource—young children—above less important things.

For going on four years now, we, in day care in the state of Massachusetts, have had to exist on level funding and frozen rates from the Department of Public Welfare. Centers and family day care systems have had to absorb the inflationary cost increases of providing care. Qualified, loving, committed teachers have been workng for a base salary of $6,500 per year. Children of our teachers are eligible for free day care through the Department of Public Welfare! Consistency of care, so important to young children, is effected as staff are forced to leave the field and seek higher paying jobs.

As a result of this situation and in an effort to maintain internal quality control, we at the Children's Center of the Woburn Council of Social Concern have been forced to close down one of our two locations. We can no longer absorb the costs. This will have great impact on the families of the Woburn/Burlington communities as we are the only contracted day care center offering free day care through the Department of Public Welfare in the city of Woburn.

To insure that we can keep our doors open and to reaffirm our faith in the political system of these United States, I plead with you to add a maintenance of effort clause to HR 7200 and limit the amount of money allowed to be spent administering the funds at the state level. If these measures are taken, the bill will bring important new federal support to child welfare services and ensure quality child care for the children of this nation in day care and peace of mind for their families.

This action is the only way to show the American people that you and your colleagues—our elected representatives—are since and did not on a consious level act to keep the funds from the people who so desperately need them.

Having shared with you this information, I will know that you considered it in making your decision. It is with much emotion that I write these thoughts and await word on your action.

Thank you for taking the time to read this written testimony.

Sincerely,

ETHEL BERNSTEIN-SIDNEY,
Director, Children's Center,
Woburn Council of Social Concern.

TESTIMONY OF JOSEPH GOLDSTEIN, WALTER HALE HAMILTON PROFESSOR OF LAW, SCIENCE AND SOCIAL POLICY, YALE LAW SCHOOL

I am pleased to have this opportunity to testify in substantial support of Title IV of H.R. 7200. I will restrict my comments at this time to one concern that requires your attention. I share the overall objectives of the proposed amendments to the child welfare services to safeguard the entitlement of all children to a secure and permanent place in their family and all parents, no matter how poor, to the right to raise and care for their own children. To that end the proposed amendments will (a) help to promote giving a priority to supportive services for keeping families together; (b) help to assure, where separations are necessary, and where there are realistic expectations that children can be restored to their natural families, that foster care will be temporary in accord with a child's sense of time and will be affirmatively used to strengthen, not weaken, the familial ties between foster children and their absent parents; and (c) help assure that children who have no strong likelihood of being returned to their natural families will have a secure place in an adoptive or permanent long-term foster home rather than be left in limbo, often for many years, in the foster care system subject to destructive multiple placements.

My comments concern two groups of children who cannot be returned to their natural families—those who at the time this legislation goes into effect will have been in the long-term care (18 months or more) of foster parents who are unwilling to adopt, for whatever reason, but who wish to make the foster relationship permenent—and those who find themselves in a similar position though placed in foster care after this legislation goes into effect and despite the best efforts of those who administer and monitor the new provisions. (There may also be in this group children, particularly adolescents, who prefer not to be adopted but rather to remain with their long term foster parents on a permanent basis.) These children will be disserved by the placement priorities in Sec. 427(8)(A)(iii)(iv) and reflected in the definitions in Sec. 425 (5) & (6) which threaten to break up the only real family ties these long-term foster children have if they can be placed in an adoptive home. As it presently reads, Sec. 427 (8)(A)(iv) restricts the use of permanent foster care to such children who cannot be "placed in an adoptive home due to special needs." Unless "special needs" is used to recognize that for children who have "remained continuously for several years in the care of the same foster parents it is natural that the foster family should hold the same place in the emotional life of the foster child, and fulfill the same socializing function, as a natural family",[1] the real needs of such children may be ignored and the real purpose of adoption would be jeopardized by breaking-up a real family in the name of establishing a new one.[2]

Rather than rely on what might be read into the "special needs" phrase, I would recommend taking explicit account of these concerns by something like the following underlined additions to the relevant provisions:

Sec. 427(8)(A)(iii): "(iii) should be freed for legal adoption *or permanent long-term foster care* through termination of parental rights proceedings and placed in an adoptive home, *or allowed to remain in their current long-term foster home,* or"

"In those situations where foster families do not wish to adopt but may wish to continue indefinitely the new long-term foster relationship, it may be less

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[1] Mr. Justice Brennan for the United States Supreme Court in *Smith* v. *Organization of Foster Families,* decided June 13, 1977 (slip opinion p. 29).

[2] This view is elaborated in Goldstein, J., *Why Foster Care—For Whom For How Long,* 30 *The Psychoanalytic Study of the Child,* 647, 659, 600 (1975).

harmful for the child to continue in that relationship than to break it just to fulfill the state policy which perceives foster care only as a temporary relationship. Such long-term relationships might be reclassified as *foster care with tenure*. That classification would provide a relatively high expectation in the child and his foster parents of the continuity that generally is associated with adoption. The law would insulate tenured foster families from the threat of interruption by the long-absent biological parents or by the child care agency whose policy has been offended.

Whatever the statutory out-off period—which by definition must be arbitrary—provision would be made for foster parents to petition, not only after, but at any time prior to the expiration of the statutory period for a court to find that the foster relationship is no longer temporary and either that the child be found to be adopted by his foster family or that the child be reclassified as *foster child with tenure*. Finally, just as supportive services to keep families at risk is to be preferred to foster care placement, long-term relationships should be secured by adoption or tenure in the foster family and encouraged by not cutting off, but rather even by enlarging, maintenance payments to foster parents willing to accept a long-term arrangement."

Sec. 427(8)(A)(iv): "(iv) requires a permanent long-term foster care placement because the child cannot be returned home *or allowed to remain in his current long-term foster home* or placed in an adoptive home or placed in an adoptive home due to special needs; and"

Sec. 425(5): "(5) placing the child in a suitable adoptive *or long-term foster* home, if restoration to the natural family is not possible or appropriate; and"

Sec. 425(6): "(6) assuring adequate care of children away from their homes, in cases where the child cannot be returned to his natural home *or cannot remain in his long-term foster home* or cannot be placed for adoption using all known and available techniques to do so."

Respectfully,

JOSEPH GOLDSTEIN.

STATE OF CALIFORNIA,
DEPARTMENT OF JUSTICE,
San Francisco, Calif., July 22, 1977.

Re: H.R. 7200.

Hon. DANIEL P. MOYNIHAN,
Chairman of the Subcommittee on Public Assistance, Committee on Finance, U.S. Senate, Russell Senate Office Building, Washington, D.C.

DEAR SENATOR MOYNIHAN: We are submitting written testimony in opposition to section 504 of H.R. 7200, dealing with continued federal funding for non-welfare child support cases.

Public law 93-647 established a comprehensive program for enforcing child support as Title IV-D of the Social Security Act, providing 75% federal matching funds for the administrative expenses of the program. Although the program mandates enforcement for both AFDC and non-AFDC families, funding for the latter was limited in the original bill and is now scheduled to terminate on September 30, 1978 (P.L. 95-59). We are in favor of continued federal funding for this portion of the program but we are strongly opposed to the conditions on funding proposed by H.R. 7200.

As presently written, section 504 continues federal funding for those cases where the client income is less than double the AFDC need standard but requires the imposition of an application fee and the collection of costs up to a maximum of 10% or the average state cost. If the client income is more than double the AFDC standard the client must pay the application fee plus all costs of collection in excess of the fee with the only limit the amount of child support collected.

While we appreciate the apparent concern of the federal government in limiting the costs of the program, in our view the method chosen would result in intolerable administrative burden, and overall increase in administrative costs and an unconscionable burden on the deprived parent and child seeking to remain independent with a resulting incentive to remain on or return to public assistance.

As written, the law would require extensive new administrative procedure for eligibility determination, and a costly methodology for determining "costs" and for collecting them resulting in a substantial increase in administrative costs for the states. Fees and costs would then be collected from the deprived parents and children to pay these increased administrative expenses, reducing their ability to remain off public assistance not only by reducing income but by encouraging them to not seek enforcement. Thus, when child support payment stopped, public assistance could result.

Moreover, in many if not most states, failure to provide for a child is a crime. We doubt that an enactment of Congress requiring states to assess a fee and costs against a victim of a crime before prosecution could take place would withstand constitutional scrutiny.

Finally, we believe that sound public policy as expressed in Title IV-D requires an effort to assist deprived children whether or not on welfare. The proposed fee system which subverts this policy merely for speculative cost savings (and possibly losses through increased welfare dependency) cannot be justified. At the very least, the states should be left free to accept or reject federal financing conditioned on fees. Public policy in California has consistently favored the interests of the child in support and the duty of public agencies to act in the child's interest.

The reduction of costs could be achieved without violating this public policy by requiring that reasonable fees be assessed against the absent parent whose delinquency had made the enforcement effort necessary, not against the children whose needs should be paramount.

We urge that section 504 be eliminated and the present system of funding be continued.

Very truly yours,

EVELLE J. YOUNGER,
Attorney General.
GLORIA F. DEHART,
Deputy Attorney General.

AMERICAN ASSOCIATION OF HOMES FOR THE AGING,
Washington, D.C., July 22, 1977.

Hon. DANIEL PATRICK MOYNIHAN,
Chairman, Subcommittee on Public Assistance, U.S. Senate Committee on Finance, Dirksen Senate Office Building, Washington, D.C.

DEAR CHAIRMAN MOYNIHAN: On behalf of the American Association of Homes for the Aging, I write to express our support for the provisions of H.R. 7200, the Public Assistance Amendments of 1977.

The American Association of Homes for the Aging (AAHA) represents nonprofit homes for the aging, housing, and health-related facilities. Its 1,500 member homes are located throughout the United States and are sponsored by community-based religious, fraternal, labor, civic and county organizations. Because many of our member homes attempt to provide quality services to the disadvantaged elderly, the provisions of Title I of H.R. 7200 are of utmost importance to our association. We believe that the legislative proposal which was approved by the House of Representatives offers a number of important remedial efforts to strengthen our public commitment to meet the needs of that segment of the population who, through no fault of their own, outlived their income supports or met unfortunate disabling life experiences.

Consideration of the provisions of Title I of H.R. 7200 must be done with a reflective recognition of the realities of life for SSI recipients. To the comfortable public servant enjoying the riches of the American dream, the realities of an inadequate income coupled with chronic illness and limited mobility are difficult to conjure. As we reviewed the statement offered by the Secretary of Health, Education, and Welfare on this legislation, it became apparent that his staff had limited understanding of the "hell" of being aged and poor.

We are particularly disturbed by the Department's opposition to the proposed changes suggested in Sections 109 and 113 of the legislation. We can document instances where married couples who have shared fifty and sixty years of their lives together have been forced to seek a divorce to prevent utter pauperization at the hands of an inflexible spouse rule. We find it most

difficult to understand the rationale for the Administration's opposition to the proposed changes, especially in light of the outward efforts to project a family revival.

Section 109 offers a realistic solution to a disturbing human problem. After many years of closeness, a family is separated by illness. The convalescent period runs longer than one month; SSI payments are reduced. Even though there is a discharge potential, the curtailed income support to the spouse residing outside the institution weakens his or her abilities to remain independent. The trauma of the reduction of an already inadequate income level coupled with the emotional strain of separation creates stresses that are eventually manifested in the deterioration of mental and physical health.

The existing reduction of the SSI benefit which is addressed in Section 109 invokes a financial hardship on older persons who require a longer convalescence from illness, and it impedes a successful discharge to the community. Data obtained from the National Center for Health Statistics indicate that while 5.9 percent of all residents in skilled and intermediate nursing facilities are discharged within the first month from admission, and additional 8.5 percent are discharged within the period of one to three months. This same data from the *1973–74 National Nursing Home Survey* indicates that when broken into age cohorts there is a positive relationship between the length of stay and age; i.e., the older the individual the longer it will require before discharge.

As the members of the Senate Finance Committee are aware, the improved quality assurance procedures to ensure that those individuals who are in a medical facility require services have shortened the length of stays since the last survey of the National Center for Health Statistics. However, it is important to note that the projections developed by the Abt Associates under contract from the National Center for Health Services Research indicate that the significant improvement occurred within the first three months. Projected utilization figures indicate that over 25 percent of individuals within a nursing facility will be discharged within the first three months, with 10.9 percent of those discharges occurring within the first month, but an additional 15 percent occurring during the time-frame between one and three months—an overall improvement of nearly 12 percent since the 1973–74 survey data for discharges within the first three months.

The improved potential for discharges requires a careful review of the impact which our income support programs offer to the recipient. We urge the Committee to be conscious that Medicare covers only a fraction of nursing home costs, so that long nursing home stays tend to impoverish the aged and disabled and make welfare supports inevitable. As cited in the recent Congressioinal Budget Office Issue Paper on *Long Term Care for the Elderly and Disabled*, "47.5 percent of nursing home patients whose costs are paid by Medicaid in 1974 were not initially poor by state definitions but depleted their resources and qualified as medically needy."

Section 109 appears to offer the recognition that discharge potential has increased for older persons, and that one element within the consideration of a discharge potential is the ability to be maintained within the community. If, because of an insensitive public policy, the family has been pauperized, then the chances of staying active within the community situation have been compromised. However, if public policy recognized the limitations of a separation and provided adequate income supports to allow for the continued independent life style of the spouse, there would be a greater opportunity to return to the community.

It is interesting to note that the Administration statement coupled Section 109 with Section 113, and through its spokesperson opposed the two amendments because of overlap. There was not consideration given to the human element. Whilt there appear to be technical problems with the differing actions suggested for the eligible spouse between these two amendments, the Administration would have been more creditable to recognize that the problem is not that insurmountable.

Likewise, our association finds it difficult to understand the logic which is at work in the Administration's opposiiton to Section 110. The personal needs allowance is provided to assist the recipient in purchasing those items and services which are not reimbursed under Medicaid. The cost of postage, paper, cosmetic items, haircuts, beauty appointments, clothes, cards, etc.,

have risen for the institutionalized as well as the older person who is fortunate to remain in his own home. On one hand, the Department is condoning widespread curtailment of the Medicaid benefit and on the other, impeding the ability of the Medicaid recipient to purchase the items and services. There must be a recognition of the inflationary spiral of personal needs items and the increased necessity of the recipient to purchase personal services. Section 110 offers such a recognition and we urge its passage.

The Administration's response to Section 112 and Section 114 appears to have been drafted by those who are detached from the realities of eking out an existence of subsisttnce incomt. While there might be comfort in the philosophy of working towards improved equity in benefit allocation and in drafting the master plans for the future, to the recipient the income need is now. He cannot wait patiently for the architects of policy to build a new system of public assistance. The vision of an efficient, equitable and effective government strategy of income maintenance is as detached to the individual existing on less than $6.00 a day as manna from heaven. Both Sections address real problems that cannot be put off in governmental theatrics from the script of *Waiting for Godot.*

While our primary concerns as addressed above relate to Title I of the legislation, we are concerned also about the limited support which the Administration has offered to Title II of the legislation. Title III provides for a permanent increase in the Title XX Social Services ceiling. Title XX monies are an important element of the strategies of building community supports to prevent the premature institutionalization of older persons and to aid in the return of older persons to their communities. For many of our members who provide a range of housing services and/or who are engaged in community outreach as well as institutional-based services, Title XX is the fuel which propells the delivery of services.

The suggested one-year extension of the higher ceiling is earmarked exclusively for day-care services for children. While we can accept the compromise which led to the interim increase in Title XX monies, we urge that the monies be made availilable for the use determined by the state with some committee language voice to a preference for day-care. In that manner, the statute does not require children services, and allows for fund usage consiistent with service needs reflected in state plans. Likewise, we strongly encourage the ceiling rise to $2.7 billion as a permanent increase without the strings of where funds should be used. Such a permanent increase would help to meet some of the shortfall which inflation has eroded from the Title XX programatic resources.

H.R. 7200 is an important piece of legislation that merits expeditious favorable actiion by the Senate Finance Committee. We solicit your Subcommittee's support of this proposal.

With best wishes,

LAURENCE F. LANE,
Director for Public Policy.

LUTHERAN CHILD & FAMILY SERVICES,
River Front, Ill., July 20, 1977.

Re: Public Assistance Amendments of 1977 (H.R. 7200)

Mr. MICHAEL STERN,
Staff Director, Senate Finance Committee, U.S. Senate, Washington, D.C.

DEAR MR. STERN: I am writing in support of this pending legislation and to urge its favorable consideration by the Senate Finance Committee.

Increased federal funding to support children's services is crucially needed since rising costs and increased demands for human services have made steady inroads upon the ability of states to provide the programs needed.

Of particular importance is the provision to convert Title IV-B of the Social Security Act to an entitlement program, lifting the level of funding to the present statutory maximum of $266 million. This would insure continuity in federal support and encourage states to engage in longer range planning for child welfare services. Expansion of services is required as the child welfare system has been increasingly assigned responsibility for groups of children formerly served in the fields of mental health and juvenile justice. Sufficient funds to support this broader mandate have not been available.

As the administrator of a voluntary child welfare agency, I urge that this bill be approved, signifying our national commitment to dependent and neglected children.

Very sincerely yours,

RUBEN E. SPANNAUS,
Executive Director.

FAMILY SERVICE ASSN. OF AMERICA,
New York, N.Y., July 22, 1977.

Hon. DANIEL P. MOYNIHAN, U.S.S.,
Chairman, Public Assistance Subcommittee of the Senate Finance Committee, Dirksen Senate Office Building, Washington, D.C.

DEAR SENATOR MOYNIHAN:

1. INTRODUCTION

This statement is for insertion in the record of the hearings of your Subcommittee on H.R. 7200, and it is filed on behalf of the Family Service Association of America ("FSAA"). We commend you for your attention to the important questions contained in H.R. 7200 and urge speedy enactment of that legislation as generally modified by the Administration's proposal dealing with adoption, foster care and child welfare services. We do have some objection to aspects of the Administration's proposal which will delay funding of needed family services and result in unproductive regulation of the state agencies involved in childrens' services. We shall spell out these objections in detail later in this statement.

The Family Service Association of America represents approximately 285 agencies in the United States providing programs in family counseling, family life education, and family advocacy. Our field represents a long established interest in service to the family, developed privately, and nationwide in scope. It has over the years been at the forefront of professional developments, operational research in the family field, and innovative change as family need has itself changed. Our member organizations, while organized as private charities, frequently contract to provide services through Titles XX and IV B of the Social Security Act. In so doing, they offer such advantages as pluralistic program content and efficient operation to enhance governmental social service initiatives. Because these programs are governed by local citizen boards of directors, they represent considerable citizen involvement in social service delivery. We are pleased to provide some comments upon thse two titles, as well as some general concerns which we wish to bring to your attention.

2. TITLE XX

Since Title XX became operational in 1972, allocations have not increased. We would support increasing funding levels for Title XX. Obviously, inflation in the intervening years has resulted in diminished effectiveness at present funding levels. We believe it is appropriate to consider increasing funding levels at this time, and we would support a proposal to increase Title XX at the annual rate of 1.5 times the cost-of-living index as a means to gradually catch up with rates of inflation.

We certainly support increasing the level of Title XX to $2.7 billion annually as required in H.R. 7200, but further increases seem necessary.

3. THE ISSUES IN CHILD WELFARE

The importance of H.R. 7200 is its expansion and redirection of the child welfare program including adoption subsidies. The focus of both of these programs is upon inappropriate foster care placements. Child welfare services are aimed at maintaining the child in his natural family or monitoring his or her placement and providing services to facilitate his or her early return to the natural family. Adoption subsidies are intended to facilitate adoption of the hard to place foster care child. The evidence is ample that foster care placements have been rising in absolute numbers and as a percentage of the child population. Paul Mott, "Foster Care and Adoptions: Some Key Policy Issues," Report of Senate Subcommittee on Children and Youth, 1975. As of 1971, there were

330,373 children in foster care compared to 241,000 ten years earlier. Recent studies in Massachusetts and California have indicated that about 40% of foster care placements remain in foster care for 5 years. A study by Maas and Engler, "Children in Need of Parents", 1959 and 1969, indicates that 25% of the children surveyed in 1959 and again in 1969 in 10 selected communities had 4 or more foster care placements. In 30% of the cases in California, there was no information at all on how many placements there had been. Facts on the lack of review of children placed in foster care are also significant and may explain at least why children remain in foster care for so long. For example, in Massachusetts, 1690 children had no case worker assigned to them at all. Mott, *supra*. It has been estimated that 4,000 children in New York State were not assigned a case worker nor were subject to any periodic review. Mott, *supra*.

Studies have also indicated that many foster care children could have remained in their natural homes if services had been provided to the family. These studies in Massachusetts and California were surveys of natural and foster parents. See Mott, *supra*, page 10. A study by the California Department of Social Welfare in 1972, "Report on Foster Care", indicated that 50% of foster care children could have remained in their homes if family counseling, child care or homemaker services had been available. A 1958 study by the Children's Aid Society indicated that 143 of 229 children placed in foster care could have remained in their natural homes if services were available.

Providing services to the natural families and providing for case review and monitoring of children placed in foster care seems to be a reasonable attempt to reduce foster care placements which are costly in economic and human terms.

4. H.R. 7200 AND ADMINISTRATION PROPOSAL RE: CHILD WELFARE

We fully support the provisions of H.R. 7200 relating to the Title IV B child welfare program. $266 million of financing targetted on services to maintain natural families and prevent placements is important. We oppose the Administration's proposal to phase in such funding and to make service funding conditional upon the establishment of information systems, due process programs and case management and monitoring systems. Services to prevent family break up can be provided while the states are establishing their systems to manage placements in foster care. Also, the Administration proposal is more regulatory than H.R. 7200 in that the child welfare service money is not available until the Federal agency determines that the tracking, case management and due process programs are adequate. We would suggest that the best way to assure that both objectives are met, the services provided and the systems in place, is to establish two separate funding sources under Title IV B, one for services and one for the systems which HEW describes as its Phase I program. Each would be an entitlement but one would not depend on the other. Services could be funded at $203 million and systems at $63 million.

We fully endorse the provisions in H.R. 7200 which redefine child welfare services, target new money on prevention and require state maintenance of effort. All three of these provisions are critical to the success of the program. The new definition of child welfare services is of particular importance for it emphasizes family services and prevention of placements.

Adoption subsidies are another method of reducing foster care placements. Some 23 states have such programs now according to the American Public Welfare Association, but such programs need to be expanded. We support the Administration's proposal to remove the foster care AFDC program and the adoption subsidy program recommended in H.R. 7200 from the AFDC title. This removal recognizes that the foster care and adoption programs are service-related more than income maintenance-related. We think that a ceiling suggested by the Administration is a reasonable approach to this problem. We suggest, however, that if a ceiling is placed on the foster care and adoption subsidy program, there be a provision included allowing states to use their allocation on child welfare services also. This provision would provide an incentive to states to save on foster care funds since the money would not be lost to the state entirely if reductions in foster care maintenance were possible and adoption subsidies could not absorb the savings.

With regard to the program requirements related to the adoption subsidy program in the Administration's proposal, we have the following comments. We

are worried that a means test on the adopting family may exclude families that could use the subsidy since the costs of adopting disabled children could be very high and seriously affect even middle or upper middle income families. The Medicaid amendment offered by the the Administration is crucial therefore, since it would give the adopting family some insurance against substantial health costs. With this amendment, a means test similar to Title XX is probably reasonable. Without it, the states should be allowed to develop their own policy with regard to economic need for a subsidy.

Finally, we support the change in H.R. 7200 that permits foster care payments to be made whether the child is voluntarily or involuntarily placed in foster care. The Administration proposal continues the requirement of involuntary placement by judicial determination which forces many states and parents to go through a legal proceeding which is unnecessary. We do support the general requirements of H.R. 7200 of a due process nature, however, which assure an individualized plan of care, a voluntary placement agreement and periodic reviews as well as a dispositional hearing for the child. These procedural requirements are significant as Comptroller Goldin of New York City testified. The specificity of the procedures used should be reduced somewhat giving states more flexibility to use systems of procedure responsive to the state's particular judicial and executive branch capacity. States may also need time to establish these procedures. Failure to establish them immediately should not result in a loss of service funds, however. Our two-pronged approach to Title IV-B funding solves that issue. In essence, it accomplishes the procedural goal through the incentive approach.

5. SOME FINAL COMMENTS

First, we are interested in the continuance of language which allows states to contract for social services provided through high quality private organizations such as our Member Agencies. As noted above, we feel this is beneficial to Government, and also it enlarges the capabilities of the voluntary sector to be of service.

Second, we believe that the Federal Government should take a substantial role in the development of social services, and we hope that the Committee directs its attention to Federal activity in establishing standards for program delivery, enhanced research and demonstration, and encouragement of training, particularly in the provision of preventive services.

In regard to these matters, our conviction is increasing that family life as a specific, explicit concern of the Federal Government, has not received appropriate attention. In matters of child care, but also in such matters as juvenile justice, mental health, public assistance, and other domestic concerns, the family is often a key to both the cause of the problem and its potential cure. Although the Federal establishment has often been concerned with specific social problems, it has not developed an organizational means to coordinate standards and encourage service development, necessary basic and applied research, and training directed to the subject of the family. Instead, we find concerns with the family widely dispersed in Government activities, with the result that the family becomes "everybody's" business—and "nobody's" business. We would suggest that your Committee give some attention to such a coordinating body within the Federal structure.

We are pleased at the attention being given to social services by your Committee, and hope that the foregoing is helpful to your deliberations.

Sincerely,

W. KEITH DAUGHERTY,
General Director.

STATEMENT OF THE CITIZENS FOR THE CHILDREN OF NEW JERSEY

The Citizens Committee for Children of New Jersey (CCCNJ) is a statewide nonprofit organization dedicated to improving programs and policies affecting children. CCCNJ informs and educates the community about children's needs, and works to bring about constructive change in policies and services by conducting community education programs and surveys and fact-finding projects, and reviewing and analyzing legislation and other public policies affecting children.

CCCNJ strongly supports the overall intent of the child welfare provisions in H.R. 7200. Of particular importance in our view are the provisions which increase funding for preventive and reunification services to keep families together, the establishment of stricter standards governing removal of children from their homes and the requirement that the individual case plans for each child in placement be reviewed on a periodic basis. We urge the committee to consider additional revisions which we believe would further strengthen the accountability provisions for these youngsters, provide more meaningful incentives for adoptive placement and assure adequate financing of services by he states.

CCCNJ believes that specific federal regulations governing foster care must be instituted to protect children from unnecessary, inappropriate and needlessly prolonged placements. Recent studies by the Department of Health, Education and Welfare, the U.S. General Accounting Office (GAO) and the Children's Defense Fund vividly illustrate that the vague existence federal guidelines are largely ignored and ineffectual.[1] These studies point out that children are often hastily placed in foster care and then forgotten by the placement agency. In many cases, no services are provided to the natural parents and no planning is done to provide the child with a permanent home—either with his natural parent or adoptive parents. Studies by researchers in the area such as Maas and Engler, David Fanshel tend to become "lost" in foster care and remain there for long and indefinite periods of time. A recent study by the Children in Placement Project conducted by the National Council of Juvenile Court Judges which reviewed the cases of 3, 684 children in 12 areas of the country, found that more than 60% of the children had been in placement for more than two years and over 30% of the cases had not been reviewed for periods of from three to ten years.[2] The recent report by the U.S. General Accounting Office indicates that children are often placed in inappropriate situations which may be very damaging to them.[3]

It is essential that a meaningful system be established to review the cases of children placed out of their homes to assure that these children do not enter or remain in unnecessary or inappropriate placements.

We believe that the H.R. 7200 provisions need to be strengthened in order to effectively protect children who are at risk of our of home placement. Experience in New Jersey and other states strongly indicates that administrative review systems have not been effective in moving children out of placement back to their own homes, freeing children for adoption or finding adoptive homes. Review by the agency which is resopnsible for providing services simply does not afford the second perspective needed to produce constructive action.

CCCNJ recommends that the bill be amended to require review on a periodic basis by the court or citizens review boards appointed by the court. Citizen reviews have proven effective and are relatively inexpensive compared to full judicial review. In Rhode Island, reviews conducted by court-supervised volunteers at a total cost of $1,000 resulted in the transfer of almost 50% of that state's foster care caseload of permanent homes. South Carolina's citizen board review system resulted in the establishment of permanent plans for more than 55% of the children in foster care during the system's first year of operation.[4] We believe it is essential that reviews be conducted as soon as possible but no later than 15 days after the initial placement to assure the necessity and appropriateness of the placement. Far too many children are placed for reasons of expediency or the unavailability of services in the communiity. Subsequent reviews should be conducted at least annually of the cases of all

[1] Shirley M. Vasaly, *Foster Care in Five States* (Washington, D.C.: U.S. Department of Health, Education and Welfare, Children's Bureau, 1976). U.S. General Accounting Office, *Children in Foster Care Institutions; Steps Government aCn Take To Improve Their Care* (Washington, D.C.: U.S. General Accounting Office, February, 1977). The Children's Defense Fund, *Children Without Homes; An Examination of Public Responsibility to Children in Out of Home Care* (Washington, D.C.: The Children's Defense Fund, April, 1977).

[2] *CIP Alert*, Vol. 1–1 (February, 1977), National Council of Juvenile Court Judges.

[3] *Op. cit.* U.S. General Accounting Office, *Children in Foster Care Institutions.*

[4] Mabel Cooney (Rhode Island Coordinator of the Children in Placement Project), Spech Given to the CCCNJ Independent Review Subcommittee, aJnuary 28, 1977, Newark, New Jersey. Barbara Chappell (Director, South Carolina Office of Child Advocacy), Speech Given at Statewide Conference Co-sponsored by CCCNJ—"Permanency, Security and Love: A Child's Right"—April 5, 1977, North Brunswick, N.J.

children placed out of their homes to assure that appropriate plans are being made for the children and that progress is being made toward the goal of finding a permanent home for the child.

We strongly believe that the review should cover voluntary placements as well as placements ordered by the court. In New Jersey, it is estimated that 90% of all placements are made on a voluntary basis. In actuality, a number of the so-called voluntary placements are made under pressure and with the recognition that court action will follow if the family is not cooperative.

In order to truly effective, review systems must be supplemented by preventive and reunification services and standards for removal and selection of placements as mandated in H.R. 7200. Research has repeatedly shown that children enter costly foster case situations simply because preventive services are not available, and then linger in placement because no services are given to reunite them with their parents. Often children are hastily separated from their parents and placed in inappropriate situations because foster care placement is the most expedient plan.[5] Strict standards for removal are necessary to assure that foster care placement is treated as a highly serious step to be undertaken only when there is no way to safely maintain the child in the natural home. Projects such as the Nashville, Tennessee Comprehensive Emergency Services Program have solidly proven that placements can be averted by timely provision of appropriate services and that this approach can ultimately result in considerable savings by reducing expenditures for foster care.

We strongly support the standards for selection of placements, including the requirements that the child be placed in the least restrictive setting, in reasonable proximity to the natural home, and with relatives wherever possible. All too often children are sent to residential centers when their needs could be better met in less restrictive community-based settings such as foster family and group care homes. Studies have shown that children who visit their parents are more likely to be returned to their natural homes yet many children are sent to distant placements which preclude the child from maintaining contact with his/her natural family.[6] As of the latest statistics, the New Jersey Division of Youth and Family Services alone sent 620 children to out-of-state facilities, some as distant as Florida, Texas and Idaho. This represents more than one-third of all the youngsters placed by the Division, which has the major responsibility for placement.

CCCNJ believes federal matching funds should be made available for subsidized adoptions. According to the Carter administration proposal, as many as 120,000 children with special needs are lingering in foster care despite the fact that they are eligible for adoption. Many of these children could be placed in permanent adoptive homes if subsidy payments were available to assist adoptive parents in meeting the children's special needs. Unfortunately, the current system imposes financial penalties on foster parents who wish to adopt children with special needs who are in their care. If the foster family chooses to adopt the child, all foster care maintenance payments and Medicaid coverage are terminated. In New Jersey and other states, subsidized adoption programs have proven effective in facilitating the adoption of handicapped, minority and older children and sibling groups who otherwise would have spent their childhoods in foster care.

While we strongly support federal financial participation in a subsidized adoption program, we urge the Senate to give careful consideration to expanding the program. We believe subsidies should be available for any hard-to-place child. By limiting eligibility to AFDC foster children, the bill would deny subsidies to the majority of children in foster care. Studies of foster care caseloads in Massachusetts and other states indicate that the majority of foster children are not eligible for AFDC foster care.[7]

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[5] *Op. cit.*, Shirley M. Vasaly, *Foster Care in Five States. Op. cit.*, The Children's Defense Fund, *Children Without Homes.* Sr. Mary Paul, *Crtieria for Foster Placement and Alternatives to Foster Care* (New York: New York State Board of Child Welfare, 1975).

[6] David Fanshel, "Status Changes of Children in oFster Care: Final Results of the Columbia University Longitudinal Study," *Child Welfare*, LIV, 3 (March, 1976).

[7] *Op. cit.*, Shirley M. Vasaly, *Foster Care in Five States.*

CCCNJ supports the Carter administration proposal for a subsidy which includes special provisions to encourage adoptions by low and moderate income families. We believe that subsidies should be made available to low and moderate income adoptive families until the child reaches the age of majority or the family income level. A temporary subsidy with a one year time limit as provided in H.R. 7200 would discourage adoptions by foster parents who now account for 90% of state-subsidized adoptions according to information contained in the Carter proposal.

CCCNJ believes children adopted under the subsidy program should remain eligible for Medicaid until adulthood. Many of these youngsters have serious physical and emotional handicaps that will require extensive medical services throughout their childhood. A recent study "Foster Care in Five States" published by the Department of Health, Education and Welfare indicates that the majority of families simply do not have the means to adopt these youngsters if they must take on the additional burden of paying costly medical bills for these children. For foster families, the lack of full medical coverage actually produces a financial disincentive to adopt since medical expenses for foster children are covered by most states.

We also recommend that the bill be amended to make the subsidy effective on the date the child is placed in the adoptive home rather than on the date the adoption is finanlized by the court. In states such as New Jersey, where adoptions are not finalized until the child has been in the adoptive home for 12 months, adoptive families would be denied subsidies for a full year under the bill's current provisions.

While we strongly support the $266 million increase in federal funding under Title IV-B we recommend that section 426 of H.R. 7200 include a strict requirement that states use these funds to supplement and increase, not supplant, state and local expenditures for child welfare services. We are particularly concerned that funds be made available to implement the review systems and provide supportive services to keep families together. As the Children's Defense Fund study indicates, the current funding system actually offers incentives for family breakup and does not fund programs in the community to avert placement.[8]

CCCNJ urges the Finance Committee to consider these revisions and take action on this important piece of legislation which has the potential to produce constructive change in the lives of thousands of forgotten youngsters across the country who are placed or risk being placed out of their homes.

CCCNJ thanks the committee for the opportunity to present its views and will be happy to provide specific information on child welfare programs and policies in New Jersey to the Committee.

CITIZENS COMMITTEE FOR CHILDREN OF NEW JERSEY, MONTCLAIR, N.J.

WHAT IS CITIZENS COMMITTEE FOR CHILDREN OF NEW JERSEY (CCCNJ)?

Citizens Committee for Children of New Jersey, organized in May 1972, is a statewide nonprofit child advocacy organization dedicated to improving services to children throughout the state. This tax-exempt organization of interested citizens engages in survey and fact-finding, community education and public policy analysis to bring about constructive change for children in the state. Membership is open to any individual interested in child welfare.

HIGHLIGHTS OF CITIZENS COMMITTEE ACTIVITIES

1972

Establishment of CCCNJ with Dr. Leontine Young as first President. Organization launched at conference May 2nd, "Children in Search of Childhood", attended by more than 500 persons.

1973

Publication of the report on the implementation of the child abuse reporting law prepared by a task force of 52 volunteers.

Co-sponsored one-day action symposium on child abuse and neglect.

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[8] *Op. cit.*, The Children's Defense Fund, *Children Without Homes.*

Establishment of all volunteer Speakers Bureau with slide presentation on child abuse an neglect.

First publication of a monthly newsletter on child welfare activities.

1974

Publication of brochure in English and Spanish outlining reporting procedures under child abuse law.

Publication of "County Detention Facilities and Shelters in New Jersey" prepared by the Residential Task Force.

Sponsored luncheon meeting at regional meeting of Child Welfare League of America with Judge Justine Polier as speaker.

Sponsored public appearance of Jolly K, founder of Parent's Anonymous, which received national television coverage.

1975

Revised slide presentation on child abuse presented to 85 groups.

Membership meeting "Children in Jeopardy" in Freehold attended by 170 persons. Dr. Jane Knitzer of the Children's Defense Fund was keynote speaker.

CCCNJ Board voted unanimously to support Interstate Compact on Placement of Children and developed enabling legislation for its enactment.

Developed and conducted an eight-session Community Orientation Course on child service systems in Essex County.

Publication of "Long-Term Residential Care of Children in New Jersey: A Report of the Residential Task Force".

1976

Established a Task Force to Implement the Recommendations of the Report on Long-Term Residential Care, chaired by Dr. Leontine Young, to study: educational funding, independent review of children in out-of-home placement and comprehensive planning.

Conducted two sessions of the Community Orientation Course on child service systems in Essex County.

Participated in a panel of the Eastern Regional Conference of the Child Welfare League.

Prepared statements on major public policy issues and legislation. For example, CCCNJ was instrumental in revising the statement of legislative intent for the law which established a separate Department of Corrections and Parole, to include a specific reference to juvenile services.

Co-sponsored conference in Morris County, "The Rights of Children in an Adult World", September 30, 1976.

Sponsored one-day symposium, "Crisis in Children's Services", November 10, 1976, featuring Milton Rector, NCCD President.

CHICAGO CHILD CARE SOCIETY,
Chicago, Ill.

MICHAEL STERN,
Staff Director, Senate Finance Committee,
U.S. Senate, Washington, D.C.

DEAR MR. STERN: As staff director, the Social Policy Committee of Chicago Child Care Society would hope that you will bring to the attention of the Senate Finance Committee, the Society's support of Title IV-B's House Bill (H.R. 7200) as approved by the Public Assistance Amendments on June 14th. The lifting of the current $56.5 million to the maximum of $266 million and converting to an entitlement program would be extremely important for planning for children.

Sincerely,

(Mrs. Vance) HARRIETT KIRBY,
Chairman, Social Policy Commission.

[Telegram]

ALBANY, N.Y., *July 22, 1977.*

MICHAEL STERN,
Staff Director, Committee on Finance,
Dirksen Senate Office Building, Washington, D.C.:

New York State Child Care Coordinating Council asks that its support for H.R. 7200 be entered into the record of the hearings of the Subcommittee on Public Assistance of the Committee on Finance. We support the full funding of title IV-B, SSA, to provide comprehensive child welfare services to prevent foster care of children. We support funding of preventive services, including day care to meet the needs of the child. We support requiring maintenance of State effort except for foster care for State eligibility for the new funds. The pacification targeting of the funds is essential as indicated by the experience of the past year with Public Law 94-401 funds, which have not been used for direct child day care services in New York State, but have gone mainly for State administrative costs.

INEZ SINGLETARY,
President, New York State
Child Care Coordinating Council.

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